A/67/5/Add.8

United Nations

United Nations Human Settlements Programme

Financial report and audited financial statements

For the biennium ended 31 December 2011

And

Report of the Board of Auditors

General Assembly
Official Records
Sixty-seventh Session
Supplement No. 5H

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Report of the Board of Auditors

United Nations • New York, 2012

Note

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ISSN 0257-0629

[17 July 2012]

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Letters of transmittal

31 March 2012

In accordance with regulation 6.5 and rule 106.1 of the Financial Regulations and Rules of the United Nations, I have the honour to transmit the financial report and accounts of the United Nations Human Settlements Programme, including associated trust funds and other related accounts, for the biennium ended 31 December 2011, which I hereby approve.

Copies of these statements are made available to both the Advisory Committee on Administrative and Budgetary Questions and the Board of Auditors.

(*Signed*) Joan **Clos**
Executive Director
United Nations Human Settlements Programme

The Chair of the Board of Auditors
United Nations
New York

30 June 2012

I have the honour to transmit to you the report of the Board of Auditors on the financial statements of the United Nations Human Settlements Programme for the biennium ended 31 December 2011.

(*Signed*) **Liu** Jiayi
Auditor-General of China
Chair of the Board of Auditors

The President of the General Assembly
of the United Nations
New York

Chapter I

Report of the Board of Auditors on the financial statements: audit opinion

1. We have audited the accompanying financial statements of the United Nations Human Settlements Programme (UN-Habitat) for the biennium ended 31 December 2011, which comprise the statement of income and expenditure and changes in reserves and fund balances (statement I), the statement of assets, liabilities, reserves and fund balances (statement II), the statement of cash flows (statement III) and the supporting statements, schedules and explanatory notes.

Responsibility of management for the financial statements

2. The Executive Director of the United Nations Human Settlements Programme is responsible for the preparation and fair presentation of the financial statements in accordance with the United Nations system accounting standards and for such internal control as he deems is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Responsibility of the auditor

3. Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit in accordance with the International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

4. An audit includes performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including an assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as the overall presentation of the financial statements.

5. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

6. In the Board's opinion, the financial statements present fairly, in all material respects, the financial position of UN-Habitat as at 31 December 2011 and its financial performance and cash flows for the biennium then ended, in accordance with the United Nations system accounting standards.

Report on other legal and regulatory requirements

7. Furthermore, in our opinion, the transactions of UN-Habitat that have come to our notice, or which we have tested as part of our audit, have in all significant

respects been in accordance with the Financial Regulations and Rules of the United Nations and legislative authority.

8. In accordance with article VII of the Financial Regulations and Rules of the United Nations, we have also issued a long-form report on our audit of UN-Habitat.

(*Signed*) **Liu** Jiayi
Auditor-General of China
Chair of the Board of Auditors

(*Signed*) Amyas **Morse**
Comptroller and Auditor-General of the
United Kingdom of Great Britain and Northern Ireland
(Lead Auditor)

(*Signed*) Terence **Nombembe**
Auditor-General of South Africa

30 June 2012

Chapter II
Long-form report of the Board of Auditors

Summary

The United Nations Human Settlements Programme (UN-Habitat) promotes socially and environmentally sustainable towns and cities, with the goal of providing adequate shelter for all. This includes providing information and support to Member States to develop policies and legislation to improve living conditions, as well as supporting operational activities, for example, improved water provision and sanitation. The headquarters of UN-Habitat are in Nairobi. It has three main regional offices covering Africa, Asia and the Pacific and Latin America and the Caribbean; liaison and information offices in New York, Brussels, Geneva, Moscow, Beijing, Chennai (India), Amman and Budapest; and project offices in many other countries and cities across the globe. It employs some 380 core staff, with approximately 100 of those based in offices away from headquarters, along with fluctuating numbers of staff on specific contracts, particularly in field offices. The total income of UN-Habitat for the 2010-2011 biennium was $430.9 million, while its total expenditure was $426.9 million, giving an excess of income over expenditure of $4 million.

The Board of Auditors has audited the financial statements and reviewed the operations of UN-Habitat for the biennium ended 31 December 2011. The audit was carried out through the examination of financial transactions and operations at the headquarters in Kenya, and a field visit to the regional office for Asia and the Pacific in Japan.

Opinion

In the Board's opinion, the financial statements present fairly, in all material respects, the financial position of UN-Habitat as at 31 December 2011 and its financial performance and cash flows for the biennium then ended, in accordance with the United Nations system accounting standards.

Modification of the audit report for 2008-2009

In its audit report on the financial statements for the 2008-2009 biennium (A/65/5/Add.8), the Board issued a modified audit report with an emphasis of matter relating to adjustments (a write-off) of $1.6 million to the value of non-expendable property, for which appropriate details were not provided to the Board. An adjustment of similar size (a write-on, or increase) of $1.88 million was made to the asset balances as at 31 December 2011, for which UN-Habitat was able to provide sufficient supporting evidence. As the value of the adjustment made is within the level of materiality set by the Board in conducting its audit, and in view of the evidence provided in support of the adjustment, the emphasis of matter within the 2008-2009 audit report was not retained for the biennium 2010-2011.

However, the occurrence of significant adjustments to the value of non-expendable property at the end of the biennium indicates that weaknesses in the maintenance of property records remained unresolved during the period.

Overall conclusion of the Board

Sound financial management is critical to the effective operation of any organization. While the financial management arrangements of UN-Habitat are, overall, operating effectively, the Board found a number of areas where there is scope for improvement, specifically in the monitoring and management of project funds, bank account balances and non-expendable assets.

Effective performance reporting is necessary for decision makers to be well-informed of programme progress and equipped to address programme problems, and to enable the organization to demonstrate its effectiveness to external stakeholders. The Board found that weaknesses in the programme performance reporting arrangements of UN-Habitat would limit its ability to determine and demonstrate whether its programme was providing value for money. We noted that performance reports did not systematically explain variations in expenditure and performance; that senior management did not regularly review performance; that there were gaps in evidence to support reported performance; and that lessons from project evaluations were not gathered and disseminated.

Key findings and recommendations

Financial management

The Board identified instances where the funds available for projects were significantly curtailed as a result of exchange rate losses. Two instances with a combined exchange loss of $1 million were identified from our check of a sample of projects. In both cases donations that were promised in currencies other than the United States dollar were left fully exposed to the risk of loss (or reduction of value) in the period between when the funds were pledged and when they were actually paid, without mitigation through currency management measures. UN-Habitat has so far borne these losses by scaling back the funds available for the affected projects.

Bank accounts, cash and investments

The Board identified seven unsupported bank account balances within the ledgers of UN-Habitat, with a combined credit (overdrawn) balance of $221,342. These balances represent unreconciled items from previous bienniums and have been carried forward repeatedly without appropriate reconciliation or write-off, casting some doubt on the integrity of the accounting ledgers.

Non-expendable assets

The Board noted that the adjustments made to the asset registers of UN-Habitat at the end of 2009 ($1.6 million) and at the end of 2011 ($1.88 million) represented significant fluctuations in the recorded cost of its assets ($14.6 million). These adjustments arose mainly because of weaknesses in the keeping of project asset records at the organization's outposted offices, and indicate that major scope remains for improvement in the completeness and accuracy of its asset records.

Progress towards implementation of the International Public Sector Accounting Standards

The Board saw some evidence of a structured approach towards the implementation of the International Public Sector Accounting Standards (IPSAS),

including full participation within the IPSAS implementation team based in Nairobi. However, UN-Habitat had not prepared a comprehensive, timed and costed IPSAS delivery plan, clearly setting out the risks to delivery and associated measures to mitigate them. This presents a risk that UN-Habitat will not meet its target to implement IPSAS by 2014.

Programme development and performance reporting

UN-Habitat has recently developed a new set of strategic themes to which all of its activities will be aligned. However, it has not developed a detailed plan for the transition to the new themes. The Board acknowledges the Programme's progress in establishing a framework for measuring and managing its performance, but also found that its six-monthly programme performance reports lacked explanations for variances from expected expenditure and substantive performance. Moreover, in about half the cases the Board examined, evidence was not readily available to support reported performance. The Board also noted that project evaluations were not routinely gathered and analysed, in order that lessons could be disseminated. Overall, this hinders management's ability to monitor progress and objectively demonstrate the cost-effective use of resources.

Recommendations

In light of the findings above the Board makes detailed recommendations in the main body of the report. In summary the main recommendations are that UN-Habitat:

(a) **Introduce procedures to mitigate exchange rate risks and losses. Subject to guidance from United Nations Headquarters, this could include commercially available solutions;**

(b) **Work with the United Nations Office at Nairobi to investigate all unsupported balances within its ledgers, and takes steps to cleanse the ledgers of those balances through appropriate write-offs;**

(c) **Work with the United Nations Office at Nairobi to strengthen controls around the capture and recording of its assets, ascertaining the reasons why assets with a combined purchase cost of $1.88 million were omitted from its asset registers during the biennium and taking steps to address any identified asset accounting or control weaknesses;**

(d) **Agree with the United Nations Office at Nairobi on a detailed and costed delivery plan that covers all aspects of the implementation of IPSAS and sets out the key milestones to be achieved from the present time until the delivery of the first set of IPSAS-compliant financial statements in 2014;**

(e) **Urgently develop a detailed plan for implementation of changes necessary to allow programme development and performance management to be aligned to its new strategic themes, including timescales, milestones for the implementation of key changes, details of performance reporting arrangements and likely resource implications; and communicate the plan to staff;**

(f) **When developing its new strategic plan, establish robust, realistic and measurable performance indicators, which are sufficiently challenging while still being achievable;**

(g) **Ensure that the Senior Management Committee regularly reviews, at least every six months, performance and progress against the biennial work programme and budget, documenting the review and the actions taken or to be taken.**

Previous recommendations

Of the 20 recommendations made for the previous biennium, 11 (55 per cent) were fully implemented (compared to 76 per cent in the previous year), 6 (30 per cent) were under implementation and 3 (15 per cent) were not implemented. This represents a decline in the rate of implementation since 2008-2009. The Board recognizes that while much action remains ongoing, UN-Habitat cannot make substantive progress on nine of the recommendations not yet fully implemented ahead of wider changes led by United Nations Headquarters. The Board is content that UN-Habitat is responding positively to the concerns previously raised.

A. Background

1. The United Nations Human Settlements Programme (UN-Habitat) is mandated to promote socially and environmentally sustainable towns and cities, with the goal of providing adequate shelter for all. Its headquarters are in Nairobi, but it has a global presence, with three main regional offices covering Africa, Asia and the Pacific and Latin America and the Caribbean; liaison and information offices in New York, Brussels, Geneva, Moscow, Beijing, Chennai (India), Amman and Budapest; and project offices in many other countries and cities across the globe.

2. The activities of UN-Habitat are funded by donations to its technical cooperation trust funds and the funds of the Human Settlements Foundation (as set out in the financial statements). Technical cooperation activities are undertaken mainly in partnership with Governments in recipient countries. The Human Settlements Foundation works with Member States and UN-Habitat partners to facilitate the mobilization of four types of resources: domestic capital from banks and private investors at the country level; savings by the urban poor through appropriate community-level organizations; public investment from municipal and central Governments; and investment from international financial institutions.

3. The United Nations Office at Nairobi provides administrative and financial services for UN-Habitat, including human resources, procurement and information technology services. Although they have separate mandates, the United Nations Office at Nairobi and UN-Habitat are interdependent. For this reason, most of the recommendations made to UN-Habitat should be implemented in collaboration with the United Nations Office at Nairobi.

B. Mandate, scope and methodology

4. The Board of Auditors has audited the financial statements of UN-Habitat and has reviewed its operations for the financial period ended 31 December 2011 in accordance with General Assembly resolution 74 (I) of 1946. The audit was conducted in conformity with the Financial Regulations and Rules of the United Nations as well as the International Standards on Auditing. Those standards require that the Board comply with ethical requirements and that it plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

5. The audit was conducted primarily to enable the Board to form an opinion as to whether the financial statements presented fairly the financial position of UN-Habitat as at 31 December 2011 and the results of its operations and cash flows for the financial period, in accordance with the United Nations system accounting standards. This included an assessment as to whether the expenditures recorded in the financial statements had been incurred for the purposes approved by the governing bodies, and whether income and expenditures had been properly classified and recorded in accordance with the Financial Regulations and Rules. The audit included a general review of financial systems and internal controls and a test examination of the accounting records and other supporting evidence to the extent that the Board considered necessary to form an opinion on the financial statements.

6. The Board also reviewed the Programme's operations under financial regulation 7.5, which requires the Board to make observations on the efficiency of

the financial procedures, the accounting system, the internal financial controls and, in general, the administration and management of UN-Habitat operations. In the biennium 2010-2011 the Board focused on programme development and performance reporting.

7. During the course of the audit, the Board visited the Programme's headquarters in Kenya and examined field operations in Japan, in full coordination with the Office of Internal Oversight Services.

8. The present report covers matters that, in the opinion of the Board, should be brought to the attention of the General Assembly, including specific requests from the General and the Advisory Committee on Administrative and Budgetary Questions.

9. The Board's observations and conclusions were discussed with UN-Habitat, whose views have been appropriately reflected in the report.

C. Findings and recommendations

1. Follow-up of previous recommendations

10. Of the 20 recommendations made for the 2008-2009 biennium, 11 (55 per cent) had been implemented, 6 (30 per cent) had been partially implemented and 3 (15 per cent) had not been implemented. Details of the status of implementation of these recommendations are shown in the annex to the present report.

Recommendations under implementation

11. The Board noted that full implementation of the six partially implemented recommendations depended on a number of changes and reforms outside the direct control of UN-Habitat, relating to (a) the funding of end-of-service and post-retirement liabilities; (b) enhancement of the Integrated Management Information System to improve the records on contracts for goods and services; (c) the development of systems to permanently monitor the cash situation; (d) incorporation of the data processed within the separate Crystal reporting system into a single accounting and reporting system; (e) extension of the inventory management system to outposted and liaison offices; and (f) the application of functionality within the new enterprise resources planning system (Umoja) to eliminate journal voucher entries and strengthen internal controls over journal voucher entries. These are all linked to reforms which are being led by United Nations Headquarters, such as the introduction of Umoja and IPSAS.

Recommendations not implemented

12. The Board previously recommended that UN-Habitat, in collaboration with United Nations Headquarters, revise its accounting treatment of education grants. UN-Habitat stated that this requires a policy change from United Nations Headquarters. Separately, in paragraph 91 of its previous report the Board recommended that, in implementing IPSAS, UN-Habitat should consider revising its policy on the valuation of leave liability. Again, UN-Habitat stated that this issue is being coordinated by United Nations Headquarters. As such, UN-Habitat will only be able to implement both recommendations upon the receipt of instructions from United Nations Headquarters, and as part of the on-going transition to IPSAS.

13. The Board also previously recommended that UN-Habitat ensure that all indicators of achievement are supported by documentary evidence. The Board's review of programme development and management identified that such evidence remains weak and the Board has issued a revised recommendation on this point in the relevant section of this report replacing the previous recommendation.

2. Financial overview

Income and expenditure

14. Total income for the period under review amounted to $430.9 million, while total expenditure amounted to $426.9 million, giving an excess of income over expenditure before adjustments of $4 million. Compared with the previous financial period, income rose by 28.4 per cent, or $95.3 million.

15. In 2010-2011, voluntary contributions amounted to $398.4 million, representing 92.5 per cent of the total income for the biennium. The voluntary contributions increased by $100 million, or 34.1 per cent, compared with 2008-2009 contributions of $298.3 million, and are indicative of significant donor support. Of the voluntary contributions, $104.7 million was for Foundation activities, compared with $125.3 million for the biennium ended 31 December 2009, a decrease of 16.5 per cent.

16. Expenditure increased by 33.2 per cent, or $106.5 million. As a result, despite increases in income, the excess of income over expenditure has diminished by 73.7 per cent (from $15.2 million to $4 million) from its 2008-2009 level. The excess of income over expenditure has been declining steadily since 2006-2007. In this connection, the Board has noted the increasing ability of UN-Habitat to expend the resources it receives and deliver more of its agreed programme of work rather than accumulate surpluses.

Assets and liabilities

17. Total assets for the period under review amounted to $262.1 million, while total liabilities amounted to $134.9 million. Compared with the previous financial period, assets rose by $7.7 million, or 3 per cent. Liabilities increased by $14.1 million, or 11.7 per cent. Liabilities stand at 51 per cent of assets, indicating a healthy financial position. The Programme's liabilities have remained at or around half the value of its assets, indicating a sustained ability to meet its financial commitments in each biennium.

18. UN-Habitat held a total of $228.3 million in cash at the end of the biennium, of which $218.5 million was invested in cash pools managed by United Nations Headquarters. The total balance represents an increase of 8 per cent over the balance of $210.8 million held at 31 December 2009.

19. The Board had recommended in its report on the 2006-2007 biennium that UN-Habitat should regularly monitor its cash balance to ensure that it did not reflect delays in the implementation of the projects (A/63/5/Add.8, para. 34). UN-Habitat agreed with the Board's recommendation that it take advantage of the installation of the new United Nations enterprise resource planning system (Umoja) to set up indicators to permanently monitor its liquidity levels (A/65/5/Add.8, para. 32).

20. To monitor the cash situation, and until the implementation of the new system, UN-Habitat currently reviews, on a monthly basis, cash flow statements produced by the United Nations Office at Nairobi. Furthermore, the United Nations Office at Nairobi, on behalf of UN-Habitat, monitors and invests any cash in excess of immediate business needs.

21. The new monitoring measures have not diminished the high level of cash available at the end of the period. The Board noted that, during the preceding biennium (2008-2009), the amount of cash had increased at a higher rate than voluntary contributions, reflecting a slowdown in project disbursements; however, this trend did not continue in 2010-2011. Table II.1 shows that the level of cash increased at a lower rate than voluntary contributions, reflecting an increase in the pace of expenditure. However, as at 31 December 2011, the level of cash held was 8.3 per cent higher than as at 31 December 2009. Between the two financial periods, the cash position, or the sum of cash and term deposits and the cash pool, increased by $17.5 million (from $210.8 million to $228.3 million).

Table II.1
Trends in contributions, expenditure and cash
(Millions of United States dollars)

	2006-2007	*2008-2009*		*2010-2011*	
Line items	*Amount*	*Amount*	*Variance (percentage)*	*Amount*	*Variance (percentage)*
Voluntary contributions	257.9	298.3	+15.66	398.4	+33.56
Expenditure	250.4	320.4	+27.96	426.9	+33.24
Cash	174.1	210.8	+21.08	228.3	+8.30

Source: UN-Habitat financial statements.
Note: The table above includes all funding except allocations from the regular budget of the United Nations (which are static) and bank interest, which is not relevant to the analysis within the table.

3. Financial management

Losses incurred as a result of exchange rate fluctuations

22. The value of funding received by UN-Habitat in currencies other than the United States dollar can fluctuate significantly over the life of a project.[1] The Board's review of funding for projects being delivered in the Asia-Pacific region identified the following examples of exchange rate losses resulting in projects being curtailed:

(a) *Project D274 — Reintegration of returnees and internally displaced persons through policy, planning and targeted assistance*: The European Union provided 5.5 million euros for this project, which ran for 24 months from 1 January 2010. Initially the budget was set at $8.1 million; however, in November 2010 it

[1] UN-Habitat receives funding from donors in a number of currencies. Given that projects are implemented over a number of months, or even years, the United States dollar value of the funds pledged in other currencies can increase or decrease significantly, owing to exchange rate movements, between the time when funds are pledged and when they are received.

was revised to $7.5 million owing largely to exchange rate fluctuations, representing a 7.4 per cent reduction in spending on the project;

(b) *Project D208 — Reintegration of returnees and internally displaced persons through policy, planning and targeted assistance*: This project, which commenced in December 2007 and ended in December 2009, was funded by the European Union in the amount of 5 million euros. As a result of unfavourable exchange rate movements, the budget was revised from $7.3 million at inception to $6.9 million by May 2009. This resulted in a 5.5 per cent reduction in spending.

23. In these two projects alone, nearly $1 million was lost as a result of exchange rate fluctuations. While the Board recognizes that, in some cases, projects may gain from exchange rate fluctuations, it is also of the view that there is merit in considering a commercial solution to the risk of incurring losses. The Board also recognizes, however, that UN-Habitat is unlikely to have in-house expertise on currency risk management.

24. **UN-Habitat agreed with the Board's recommendation that it review the costs and benefits of introducing procedures to mitigate exchange rate risks and losses. In coordination with the United Nations Office at Nairobi, and subject to guidance from United Nations Headquarters, this could include commercially available solutions.**

4. Presentation of financial statements

Allocations from the regular budget of the United Nations

25. Following the Board's recommendation in its report on the 2008-2009 financial statements, the funding received by UN-Habitat from the regular budget of the United Nations, and its related expenditure, previously reported as a note to the financial statements, are now reported within the financial statements. The assets and liabilities related to regular budget funding are wholly owned by the Secretariat and are reported in volume I of the financial statements of the United Nations. However those specific to the expenditure that has been recorded within the income and expenditure statement of UN-Habitat have been reflected in statement II (assets and liabilities). The comparatives for the biennium ended 31 December 2009 have been restated accordingly.

The recording of contributions received in kind

26. The Board noted that UN-Habitat had no system for the recording and disclosure of contributions received in kind, despite the fact that such contributions are required by the United Nations system accounting standards to be recorded and disclosed within its financial statements. In response to the Board's interim recommendation, UN-Habitat introduced a system that enabled it, for the first time, to include within its financial statements a note on the contributions it received in kind. Note 21 to the financial statements for the biennium 2010-2011 provides the valuation of these contributions, which has been estimated as $4.66 million.

5. Statement of income and expenditure

Disclosing the impact of obligations created in previous periods and subsequently cancelled

27. The Board identified instances of negative entries (credits) being recorded against project expenditure within UN-Habitat ledgers and sought to confirm the appropriateness of those entries. The Board identified 44 projects with negative expenditure entries totalling $1.75 million at the end of the biennium. These reflect underspending against obligations created in previous years, and are recorded either towards project expenditures, or distinctly as savings from completed projects. The Board understands that the "savings code" is used only if the projects from which obligations are being reversed have been completed. The savings balances are disclosed as a separate line within the main UN-Habitat income and expenditure statements. Where the projects have not been completed, these savings are recorded against expenditure balances and result in a reduction in the total expenditures shown for the period.

28. The Board is aware that the transfer of the prior years' savings (or negative expenditure balances) to expenditure causes an understatement of the expenditure figure for the biennium, but the process ensures that the ledgers reflect the correct expenditures for each project over its life (across multiple bienniums). The Board, however, noted that the distortion effect of the negative expenditure entries had not been adequately disclosed within the financial statements.

29. **UN-Habitat agreed with the Board's recommendation that it request the United Nations Office at Nairobi to enhance the disclosures within its future financial statements by inserting a footnote to statement I stating the value of negative entries caused by the cancellation of obligations created in previous periods for projects that remain ongoing.**

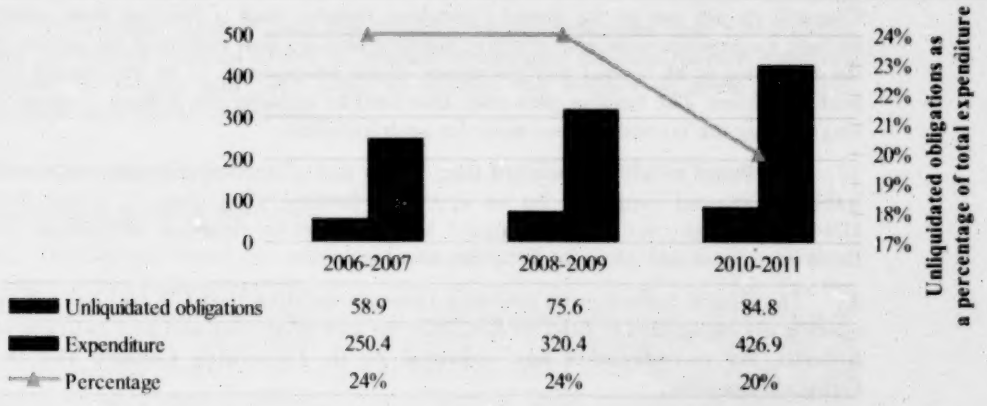
6. Unliquidated obligations and future commitments

30. Unliquidated obligations as at 31 December 2011 amounted to $84.4 million, some 20 per cent of total expenditure and an increase of 12 per cent from $75.6 million[2] as at 31 December 2009.

31. The growth in unliquidated obligations was slower than that of expenditure, which increased by 33 per cent, from $320.4 million for the previous biennium to $426.9 million. UN-Habitat's unliquidated obligations have increased significantly in each biennium, but have reduced as a percentage of overall expenditures (see figure I below). The Board also noted that the pace at which UN-Habitat settles its obligations has improved compared to earlier bienniums.

[2] 2008-2009 balances for expenditure and unliquidated obligations have been restated to include income and expenditure from the regular budget of the United Nations.

Figure I
Unliquidated obligations and expenditure
(Millions of United States dollars)



	2006-2007	2008-2009	2010-2011
Unliquidated obligations	58.9	75.6	84.8
Expenditure	250.4	320.4	426.9
Percentage	24%	24%	20%

Source: UN-Habitat 2010-2011 financial statements.

32. The Board noted that United Nations Headquarters had introduced a new accounting policy for unliquidated obligations and other future commitments of UN-Habitat. The Board also noted that $1.3 million of future commitments were included within the Programme's financial statements.[3] This balance appears low considering the scale of its engagement with delivery partners and the value of its expenditures for the biennium. Nevertheless, it represents the Programme's first attempt at identifying and quantifying its medium- to longer-term commitments, upon which it can build.

33. The Board also noted, however, that the comparative balances for the previous biennium were missing from the financial statements submitted for audit, and UN-Habitat informed the Board that the United Nations Office at Nairobi had determined that it would be impractical to devise the appropriate comparative balances. Being able to compare trend data across financial statements is an important part of accountability and sound financial management. This has resulted in a distortion of the picture presented to the reader of the financial statements in comparing the balances for the current biennium with the balances of the previous biennium.

7. End-of-service liabilities

34. The Board previously recommended that UN-Habitat set up a funding plan for end-of-service liabilities (A/63/5/Add.8, para. 45, and A/65/5/Add 8, para. 75). The Board noted that for the current biennium the unfunded portion of end-of-service liabilities had increased from $10.1 million to $19.5 million, mainly as a result of a change in the discount rate applied for the calculation of the liabilities from 6 per cent to 4.5 per cent. The change in the discount rate reflected the reduced growth

[3] During the period, UN-Habitat implemented the recording of commitments against future years as liabilities in its books. This change is in line with new instructions on this subject given by United Nations Headquarters.

forecast for financial markets as a result of the ongoing global economic downturn. However, and despite the significant increase in the level of liabilities, UN-Habitat still did not have formally documented funding plans for after-service health insurance and unused vacation days that had been approved by its Governing Council. As set out in the Board's previous reports, such a funding plan would include a comprehensive and effective funding strategy that considers the nature of the liabilities to be funded and the nature of the investments to be maintained for such liabilities. The funding plan may also need to consider the appropriateness of ring-fencing the investments set aside for such liabilities.

35. The Board remains concerned that, where end-of-service and post-retirement liabilities are not supported by an approved funding plan, there is a risk that UN-Habitat might not be in a position to fully meet its financial obligations for those benefits as and when the liabilities become due.

36. **The Board reiterates its previous recommendation that UN-Habitat set up specific arrangements to fund its liabilities for end-of-service and post-retirement benefits, for consideration and approval by its Governing Council and the General Assembly.**

8. Bank accounts

37. The Board examined all the bank and cash balances in excess of $6,000 (cash and term deposits) reported within the financial statements of UN-Habitat, and found that a number of the bank balances recorded on UN-Habitat's ledgers no longer existed (table II.2). We were informed that the unsupported bank balances were old reconciling items which have been carried forward since 2005. We also understand that the United Nations Office at Nairobi is reviewing these balances and is working with UN-Habitat to reconcile and clear them by the end of 2012.

Table II.2
Unsupported bank balances

	Value as per cash book (United States dollars)	
Bank account	*Gross*	*Net*
Technical cooperation		
UN-Habitat Iraq		118 321.93
UN-Habitat Pakistan	(5 714 768.08)	
UN-Habitat Pakistan	5 648 403.53	(66 364.55)
UN-Habitat Indonesia (Aceh) Project		(233 619.53)
Foundation		
Regional Office for Latin America and the Caribbean	2 601 925.02	
Regional Office for Latin America and the Caribbean	(2 601 925.02)	0.00
Regional Office for Asia and the Pacific		(39 679.73)
Total		**(221 341)**

Source: UN-Habitat general ledgers.

38. The Board is of the view that unsupported items within the ledgers of UN-Habitat, while having no substantive impact on the Programme's financial statements for the biennium, cast doubt on the integrity of the accounting system, especially where they are carried forward from one year to another without resolution.

39. **UN-Habitat agreed with the Board's recommendation that UN-Habitat and the United Nations Office at Nairobi investigate all unsupported balances within its ledgers and take steps to cleanse the ledgers of these balances through appropriate write-offs.**

9. Non-expendable property

Emphasis of matter in 2008-2009

40. UN-Habitat owns non-expendable property (computers, furniture, vehicles) located within its headquarters, at its outposted offices and at project sites. For the 2008-2009 biennium, the Board issued a modified audit report with an emphasis of matter relating to adjustments (a write-off) of $1.6 million to the value of non-expendable property, for which appropriate details were not provided to the Board. An adjustment of similar size (a write-on of $1.88 million) was made to the asset balances as at 31 December 2011, for which UN-Habitat was able to provide sufficient supporting evidence. As the value of the adjustment made is within the level of materiality set by the Board in conducting its audit, and in view of the evidence provided in support of the adjustment, the emphasis of matter was not retained for the biennium 2010-2011.

41. However, the occurrence of significant adjustments to the value of non-expendable property at the end of the biennium indicates that weaknesses in the maintenance of property records remained unresolved during the period. In essence, while the Board is satisfied with the work done to determine the figures disclosed in the financial statements, there appear to be ongoing weaknesses in the regular updating of asset registers, which undermines their value as a tool to maintain control over assets and determine, for example, cost-effective procurement strategies.

42. **UN-Habitat agreed with the Board's recommendation that UN-Habitat, with the United Nations Office at Nairobi, strengthen the controls for the capture and recording of its assets, ascertaining the reasons why assets with a combined purchase cost of $1.88 million were omitted from its asset registers during the biennium and taking steps to address accounting and control weaknesses.**

10. Risk management

43. The Board noted that UN-Habitat did not have a formal and systematic organization-wide approach to risk management, including a corporate risk register. UN-Habitat included developing an organization risk management approach as part of its organizational workplan for the biennium 2010-2011; but informed the Board that priority had been given to its ongoing organizational review, and therefore only preliminary work had been undertaken in the biennium.

44. The Board considers that there are strong imperatives for introducing structured risk management in UN-Habitat, above and beyond its being fundamental to any well-run organization. In particular, there is a need for consistent assessment, escalation and mitigation of diverse risks across a globally dispersed organization, where there are specific risks to staff and delivery. The Programme's reliance on

voluntary funding also leaves it particularly exposed to reputation and funding risk in the event of any significant failure.

45. **UN-Habitat agreed with the Board's recommendation that it establish a simple organization-wide risk management approach, building on its initial work and existing reporting arrangements, and aligned with recent United Nations Headquarters developments during 2012.**

11. Procurement

46. The United Nations Office at Nairobi undertakes procurement in respect of requisitions placed by UN-Habitat. The Board's wider review of procurement by the United Nations Office at Nairobi, undertaken in October 2011, identified issues that are relevant to UN-Habitat.

47. The Board found that the Office of Internal Oversight Services and the Office of Legal Affairs have expressed concerns that the delegated authority granted to the United Nations Office at Nairobi may not provide the basis for procurement on behalf of UN-Habitat under the current financial rules and regulations. The Board noted that UN-Habitat, along with the United Nations Office at Nairobi and the United Nations Environment Programme (for which the United Nations Office at Nairobi also provides procurement services), had engaged with the Department of Management in an effort to resolve this issue. The Board has included a recommendation in its report on the United Nations (A/67/5 (Vol. I)) that the Department of Management urgently clarify the respective authorities.

48. Staff of the United Nations Office at Nairobi and UN-Habitat informed the Board that there was not a shared understanding of the procurement process. For example, UN-Habitat was concerned at the time taken for procurement, while the United Nations Office at Nairobi felt that UN-Habitat staff did not have a full appreciation of procurement rules and time scales. This creates risks of delay and non-compliance with procurement rules. The Board's findings on the use of ex post facto approvals, detailed later, may be indicative of this lack of understanding.

49. The Board noted that, between the time of its audit of the United Nations Office at Nairobi's procurement function and its final audit, UN-Habitat and the United Nations Office at Nairobi had organized a number of training sessions to address this gap. The Board acknowledges that it will take time to train all staff who might make requisitions, and that it will be important to determine a priority order for those staff who require the training, perhaps with reference to the number or value of the requisitions they submit, or where they are likely to be involved at key stages in the procurement process (for example, preparing terms of reference or participating in technical evaluation panels). UN-Habitat needs to determine, in advance of the next training sessions, which staff should be trained first, and engage with the United Nations Office at Nairobi to secure the necessary training.

50. The Board also highlights the need to ensure that departures from normal procurement procedures (waivers and ex post facto approvals) are used only when justified. For example, one UN-Habitat case categorized as requiring ex post facto approval related to the extension of a contract for an online information gateway. The Board found that UN-Habitat had committed itself to the extension without the involvement of the United Nations Office at Nairobi Procurement Section, which is not in line with the Financial Regulations and Rules of the United Nations and

resulted in a contract extension without due consideration of competition. The reason for the non-compliance was unclear but may reflect lack of awareness or training, as described above, or absence of effective oversight by UN-Habitat. The Board noted that, in March 2012, the Procurement Section put in place the data and system functionality to monitor the use of both ex post facto cases and waivers and intends to report them to the senior management of UN-Habitat on a regular basis.

51. **UN-Habitat agreed with the Board's recommendation that it (a) require requisitioners to channel through the Procurement Section all procurement requirements that fall under the procurement delegation of the United Nations Office at Nairobi, so that only the Procurement Section of that Office creates commitments to vendors; (b) review reports on its use of waivers and ex post facto approvals, to assure itself that their use is justified; and (c) where there is evidence that a waiver or ex post facto was not appropriate, take action to prevent it happening in future.**

12. Progress towards implementation of the International Public Sector Accounting Standards

52. The transition to IPSAS of UN-Habitat's financial statements is being led mainly by the United Nations Office at Nairobi as the provider of accounting and other financial services to United Nations bodies in the Nairobi duty station. From its review of the progress made by the United Nations Office at Nairobi during the biennium, the Board determined that, overall, the transition process was being adequately managed.

53. The Board noted that a Nairobi IPSAS implementation team had been formed with responsibility for (a) supporting the IPSAS implementation activities relating to the volume I financial statements, (b) leading the IPSAS implementation activities for the United Nations Office at Nairobi, UNEP and UN-Habitat and (c) undertaking a consideration of the framework of policies, plans and guidance issued by the Headquarters IPSAS implementation team. The Nairobi IPSAS implementation team includes the executive sponsors representing the United Nations Office at Nairobi, the United Nations Environment Programme and UN-Habitat, a Nairobi IPSAS coordinator, the accountable officials representing the United Nations Office at Nairobi, the United Nations Environment Programme and UN-Habitat and the Nairobi IPSAS focus groups. There are terms of reference detailing the responsibilities of each official.

54. The Headquarters IPSAS implementation team visited the United Nations offices in Nairobi in October 2011 to undertake a pre-implementation review of their IPSAS preparedness. The team concluded that the Nairobi duty station had a medium level of IPSAS risk. In its report, it raised several technical and operational issues and risks and made recommendations on how they could be addressed. An action plan and timeline for 2012 was also devised.

55. The Board notes the progress being made by UN-Habitat towards the implementation of IPSAS, in particular, the clarity achieved through the visit of the Headquarters team. The Board, however, identified a need for UN-Habitat to take further decisive action towards the successful implementation of IPSAS in partnership with the United Nations Office at Nairobi and other key stakeholders at the Nairobi duty station. In particular, although the Board saw some evidence of a structured approach towards the implementation of IPSAS, there was no evidence as

yet of a comprehensive and timed delivery plan, with the risks to delivery clearly set out along with measures to mitigate them.

56. Such a plan would overlay the findings and recommendations of the Headquarters implementation team and include as key milestones several of the tasks it noted, covering (a) the completion of a new accounting policy framework under IPSAS, (b) the development of draft model financial statements, (c) the audit of opening balances translated into IPSAS, (d) preparations for a dry-run audit with full IPSAS-compliant accounting data and (e) a plan for managing the delivery of the full benefits expected from IPSAS.

57. **UN-Habitat agreed with the Board's recommendation that UN-Habitat and the United Nations Office at Nairobi agree on a detailed and costed delivery plan that covers all aspects of IPSAS implementation, setting out the key milestones to be achieved from the present time until the delivery of the first set of IPSAS-compliant financial statements in 2014.**

58. The Board notes a lack of clarity on how the implementation of IPSAS at UN-Habitat is to be funded. It has been proposed that the United Nations Office at Nairobi, on behalf of UN-Habitat, find savings from current expenditure plans to fund the implementation. The Board is, however, unclear as to how IPSAS implementation in UN-Habitat will be funded in practice and considers that the proposed approach may be unrealistic. The Board understands that some savings have been found by the United Nations Office at Nairobi, but UN-Habitat has yet to approve their use for IPSAS implementation or to offer alternative funds.

59. **UN-Habitat agreed with the Board's recommendation that it clarify its plan for funding its implementation of IPSAS.**

13. Programme development and performance reporting

Strategic programme development and review

60. During the biennium, UN-Habitat was in a transitional phase as it moved to align its medium-term strategic and institutional plan for 2008-2013, approved by its Governing Council, more closely with its biennial work programme and budget, approved by the Secretariat in New York. The medium-term strategic and institutional plan was introduced in the 2008-2009 biennium and was designed to operate until the end of the 2012-2013 biennium. The plan was intended to set out clearly the Programme's strategic aims and priorities, designed around six "focus areas". UN-Habitat decided late in 2011 to amend its strategic aims and priorities. It will now develop and undertake its activities around seven themes as shown in table II.3.

Table II.3
Priorities of UN-Habitat

Focus areas of the medium-term strategic and institutional plan	*New themes*
Advocacy, monitoring and partnership	Urban land, legislation and governance
Participatory urban planning, management and governance	Urban planning and design

Focus areas of the medium-term strategic and institutional plan	*New themes*
Pro-poor land and housing	Urban economy
Environmentally sound basic urban infrastructure and services	Urban basic services
Human settlements finance systems	Housing and slum upgrading
Excellence in management	Risk reduction and rehabilitation
	Research and capacity development

Note: The seven themes are not intended to align directly with the six focus areas.

61. UN-Habitat informed the Board that the new approach was intended to sharpen its focus on issues central to its mandate, and that new priorities would be determined during planning for the 2014-2015 biennium. In defining the new priorities it would indicate which of its current activities would be curtailed or eliminated. For the 2010-2011 biennium, UN-Habitat reported against both the work programme and budget for 2010-2011 (annually) and the medium-term strategic and institutional plan (every six months), which meant that it had to prepare two separate performance reports. The introduction of the new themes will further complicate reporting arrangements in the short term, but if well managed it could simplify reporting in the medium to long term.

62. The December 2011 performance report on the medium-term strategic and institutional plan noted that the new approach would launch in January 2012, and that a transitional plan would be a priority. The Board is of the view that the plan should have been developed well in advance of the launch. During the Board's final audit, in April-May 2012, UN-Habitat had still not prepared a plan setting out the timing of changes, including key milestones, or reporting arrangements. UN-Habitat did provide the Board with a broad outline of the arrangements and a detailed task list. However, without a clear plan and communication of the transitional arrangements to staff members and stakeholders, there is a risk that resources will not be focused on delivery of the Programme's core activities.

63. **UN-Habitat agreed with the Board's recommendation that it (a) urgently develop a detailed plan for implementation of changes necessary to allow programme development and performance management to be aligned to its new strategic themes, including time scales, milestones for the implementation of key changes, details of performance reporting arrangements and likely resource implications; and (b) communicate the plan to staff so they understand the changes and in turn communicate effectively with stakeholders.**

64. UN-Habitat provided the Board with further documentation but, because it was provided after the completion of the audit, the Board was unable to discuss this in detail with UN-Habitat. However, the Board notes that the documentation did not include timescales, milestones, details of performance reporting arrangements or likely resource implications.

Performance reporting

65. To enable them to make informed decisions, decision makers must have access to regular, clear performance reports. As noted above, UN-Habitat prepares performance reports for both the work programme and the medium-term strategic and institutional plan. Both reports provide a high-level summary of progress, as well as specific commentary on individual expected accomplishments. The Board noted that the progress reports on the strategic and institutional plan, which are reviewed by the Governing Council, contained summary information about the Programme's performance against the medium-term strategic and institutional plan.

66. The 2011 performance reports incorporated improvements recommended by the Board during its interim audit, for example, the introduction of a simple indication of overall progress in the form of a "traffic light" system. However, the Board considers there is scope for further improvement:

(a) UN-Habitat recognizes the importance of linking results and resources to achieve effective results-based management (RBM); however, while the reports include information on resources expended to achieve the results, the reporting assumes that resources will be expended evenly throughout the period, which is rarely the case for the Programme's activities. There is a risk that decision makers will be unable to identify underperformance and take necessary remedial action. The Board noted also that in both the June 2011 report and the December 2011 report, there was an absence of any commentary on variations from expected expenditure for each of the focus areas;

(b) The Board's review of the performance indicators relating to the Programme's external operations (excluding focus area 6, "excellence in management") found that, for around half the indicators, the target for 2011 had been achieved in 2010 and had not been revised to reflect that performance. For example, the target for 2011 for focus area 3, expected accomplishment 2, indicator of achievement (a) (number of countries implementing policies to improve security of tenure, including reduced forced evictions), was 21; however, performance was reported as 24 countries in 2010, and the final performance was reported as 29. While this may be indicative of good performance, it may also suggest that the target was too easy or poorly estimated;

(c) Evidence to support reported performance was not readily available for all of the performance indicators. The Board requested evidence to support reported performance for four indicators of achievement from the work programme and four from the medium-term strategic and institutional plan. UN-Habitat provided evidence for only two of the four programme indicators and for only three of the four medium-term strategic and institutional plan indicators. Of those for which evidence was provided, the evidence did not always link clearly to the indicator. For example, media articles provided to evidence the use of the flagship reports of UN-Habitat (focus area 1, expected accomplishment 1, indicator of achievement (a)) sometimes contained only general references to the Programme, rather than any specific reference to its flagship reports.

67. During its review of performance reporting and indicators, the Board noted that UN-Habitat had designed "data management sheets" for each indicator, detailing definition, baseline, data sources and method of data collection. However, the definitions were not always clear. For example, "institutional mechanism" is

defined as "institutional reform, new approach to business planning, expanding affordable services". The Board notes that each indicator requires a full page of explanation, resulting in individual data management sheets for all indicators, which reduces their value to stakeholders.

68. **UN-Habitat agreed with the Board's recommendation that it enhance its performance reports by December 2012 to include (a) an assessment of actual against expected expenditure at both project level and programme levels; and (b) explanation of variances in terms of both utilization rates and performance against targets.**

69. **UN-Habitat also agreed with the Board's recommendation that it (a) verify that evidence to support reported performance is robust; and (b) given the number of activities that support its reported performance, consider adopting a sample-based verification process.**

70. **UN-Habitat further agreed with the Board's recommendation that, when developing its new strategic plan, UN-Habitat make better use of existing data to set robust, realistic and measurable performance indicators that are sufficiently challenging and minimize the need for detailed explanation for stakeholders.**

71. While agreeing to consider the scope for simplification of indicators, UN-Habitat stated that the complex nature of aspects of its work meant that some detailed explanations, particularly for those gathering data, would be necessary for data to be gathered consistently. The Board partially accepts this explanation, but still maintains the view that the indicators could be more clearly expressed so as to minimize ambiguity and reduce the need for detailed explanations.

Performance monitoring systems

72. UN-Habitat is developing a "project accounting and accruals system" to address acknowledged deficiencies in its programme monitoring processes. It expects that the system will provide better management information and address many of the concerns raised by the Board. An interim system was introduced in February 2012, and at the time of the present report, invitations were being sought from prospective bidders to develop the full system.

73. The Board notes that UN-Habitat has been advised by the United Nations Office at Nairobi to consult with United Nations Headquarters to ensure that the project accounting and accruals system does not duplicate functionality that will be provided by the new United Nations-wide enterprise resource planning system (Umoja), due to be implemented in 2014.

74. **UN-Habitat agreed with the Board's recommendation that it urgently share with United Nations Headquarters its proposal and specifications for a project accounting and accruals system, to determine whether and how it should be integrated with Umoja.**

Performance management and accountability

75. It is important that those responsible for decision-making in an organization regularly receive and review performance information. This can help them to act in a timely manner to address any areas of over- or underperformance.

76. The Board reviewed the minutes of meetings of the senior management team of UN-Habitat and found that, in the period from January 2010 to December 2011, there was no evidence that programme performance had been discussed. The Board also noted that there appeared to have been no meetings of the senior management since March 2011.

77. **UN-Habitat agreed with the Board's recommendation that its Senior Management Committee regularly review, at least every six months, performance and progress against the biennial work programme and budget, documenting its review and the actions to be taken.**

78. UN-Habitat informed the Board that it will also review, annually, overall progress against its 2014-2019 strategic plan, in line with its key stakeholders' request for an annual report.

Evaluation

79. Evaluation can play an important role in providing assurance that funding has been used for its intended purpose and has provided value for money; and it can inform and improve future activity by sharing experience and learning.

80. The role of the UN-Habitat Evaluation Unit, which comprises one Professional and two General Service staff, is to conduct and coordinate evaluation activity within the organization, encompassing both strategic and project-level evaluations. However, the Unit was unable to provide the Board with information on evaluation at project level, including the number of projects due to be evaluated in 2011, expenditure on evaluations and what common themes or lessons had emerged from evaluations completed in the biennium. UN-Habitat informed the Board that it intended to enhance its current systems during 2012.

81. **UN-Habitat agreed with the Board's recommendation that it determine the best way to both gather and disseminate learning from project evaluations.**

82. The United Nation Evaluation Group carried out a peer review of the Evaluation Office in the last quarter of 2011.[4] The peers concluded that the Unit was underresourced, was not fully independent and had no control over the budget and work programme. In its future audits the Board will examine whether UN-Habitat acted on the findings of the peer review.

D. Disclosures by management

1. Write-off of cash, receivables and property

83. The Administration informed the Board that, in accordance with financial rule 106.8, losses of cash and receivables amounting to $36,352 had been written off during 2009-2010. In accordance with financial rule 106.9, losses amounting to $29,762 had also been written off in respect of non-expendable property.

[4] See United Nations Evaluation Group, "Professional peer review of the evaluation function: UN-Habitat", March 2012.

2. Ex gratia payments

84. As required by financial regulation 105.12, the Administration reported no ex gratia payments for the period under review.

3. Cases of fraud and presumptive fraud

85. In accordance with paragraph 6 (c) (i) of the annex to the Financial Regulations and Rules of the United Nations, the Board examined the cases of fraud and presumptive fraud that had taken place during the biennium and were reported to UN-Habitat. One case was reported involving a theft of $47,000 from a safe in the offices of a UN-Habitat partner (the South Sudan Land Commission). Otherwise, no case of fraud or presumptive fraud was reported to the Board.

E. Acknowledgement

86. The Board wishes to express its appreciation for the cooperation and assistance extended to its staff by the Executive Director and staff members of the United Nations Human Settlements Programme.

(*Signed*) **Liu** Jiayi
Auditor-General of China
Chair of the Board of Auditors

(*Signed*) Amyas **Morse**
Comptroller and Auditor-General of the
United Kingdom of Great Britain and Northern Ireland
(Lead Auditor)

(*Signed*) Terence **Nombembe**
Auditor-General of South Africa

30 June 2012

Annex

Status of implementation of recommendations for the biennium ended 31 December 2009

Summary of recommendation	*Paragraph reference (A/65/5/Add.8)*	*First reported*	*Implemented*	*Under implementation*	*Not implemented*	*Overtaken by events*
Cooperate with the United Nations Office at Nairobi to establish an annual training plan for its own staff	13	2006-2007	X			
Take advantage of the installation of the new enterprise resource planning system to set up indicators to permanently monitor its liquidity levels	32	2008-2009		X		
Continue to prepare the implementation of IPSAS in collaboration with the United Nations Office at Nairobi; and specify its needs for the migration of the Crystal software to the future enterprise resource planning system of the Secretariat (Umoja)	39	2008-2009		X		
Revise the title of its financial statements and the notes thereto to reflect that their scope was limited to activities funded under voluntary contributions; and consider preparing financial statements, in collaboration with United Nations Headquarters, that included the activities funded by the regular budget of the United Nations	48	2008-2009	X			
Ensure that funds received under inter-organizational arrangements were derived directly from the general ledger	51	2008-2009	X			
Ensure, in liaison with the United Nations Office at Nairobi, that the review of access rights includes the detection of users who have left the organization or changed function; and that no employee can have more than one user identification for logging into the Integrated Management Information System	56	2008-2009	X			
Revise its accounting treatment of education grants	64	2008-2009			X	
Disclose in a note the policy regarding provisions for delays in the collection of outstanding contributions	67	2008-2009	X			
Develop a funding plan for end-of-service liabilities for consideration and approval by its Governing Council	75	2006-2007		X		
Consider revising its policy on the valuation of leave liability in its implementation of IPSAS	91	2008-2009			X	
Ensure that all indicators of achievement are supported by documentary evidence	96	2008-2009			X	
Comply with financial rule 104.8 (a) regarding petty cash transactions	99	2008-2009	X			
Systematically obtain from the banks an updated list of persons with joint signatory authority for cheques	102	2008-2009	X			

Summary of recommendation	*Paragraph reference (A/65/5/Add.8)*	*First reported*	*Implemented*	*Under implementation*	*Not implemented*	*Overtaken by events*
In liaison with the United Nations Office at Nairobi, periodically review the procurement parameters in the Integrated Management Information System to ensure that they reflect the thresholds set in the delegation of authority for procurement and contract management	108	2008-2009	X			
In liaison with the United Nations Office at Nairobi, formally register the vendors in the database before awarding a contract; individually mark vendors in the database as active; and review the vendor database to mark unused vendors as inactive	113	2008-2009	X			
In liaison with the United Nations Office at Nairobi, add a required field in the Integrated Management Information System so that the relevant contract number can be entered for goods and services orders associated with a particular contract; and keep the contract management database up to date	116	2008-2009		X		
Extend the inventory management system to the liaison and outposted offices	123	2008-2009		X		
In liaison with the United Nations Office at Nairobi, programme the Access tool for preparing the financial statements in order to eliminate any residual manual operations; and refine the description of the checks and controls	133	2006-2007	X			
In coordination with the United Nations Office at Nairobi, take advantage of the upcoming implementation of the new enterprise resource planning system to eliminate journal voucher entries; and strengthen internal control over journal voucher entries and the access rights to make them	137	2008-2009		X		
OIOS should improve the rate of completion of its planned audits of UN-Habitat	140	2008-2009	X			
Total recommendations	**20**		**11**	**6**	**3**	
Percentage	**100**		**55**	**30**	**15**	

Chapter III
Certification of the financial statements

31 March 2012

The financial statements of the United Nations Human Settlements Programme for the biennium ended 31 December 2011 have been prepared in accordance with financial rule 106.10 of the United Nations and financial rule 306.10 of the United Nations Human Settlements Foundation.

The summary of significant accounting policies applied in the preparation of these statements is included in the notes to the financial statements. These notes, and the accompanying schedules, provide additional information and clarification of the financial activities undertaken by the United Nations Human Settlements Programme during the period covered by these statements.

The certification function defined in financial rules 105.5 and 105.7 to 105.9 of the United Nations is assigned to the United Nations Human Settlements Programme. Responsibility for the accounts and the performance of the approving function, as defined in article VI and financial rule 105.6 of the Financial Regulations and Rules of the United Nations, is assigned to the United Nations Office at Nairobi.

In accordance with the authority assigned to me, I hereby certify that the appended financial statements of the United Nations Human Settlements Programme for the biennium ended 31 December 2011 are correct.

(*Signed*) Christopher **Kirkcaldy**
Chief Finance Officer
United Nations Office at Nairobi

Chapter IV
Administration's financial overview

A. Introduction

1. The Executive Director has the honour to submit herewith the financial report, together with the financial statements of the United Nations Human Settlements Programme, including associated trust funds and other related accounts, for the biennium ended 31 December 2011. The financial statements consist of eight statements supported by four schedules and notes to the financial statements. In accordance with financial rule 106.10, the accounts were transmitted to the Board of Auditors on 31 March 2012.

2. Comparative data for the biennium ended 31 December 2009, as appropriate, have been reflected in the financial statements. These have been restated where applicable.

3. In conformity with United Nations Secretariat reporting requirements:

(a) The inter-fund balances are not offset;

(b) The accounts receivable and accounts payable are reported without offsetting;

(c) Accrued liabilities for end-of-service benefits, comprising after-service health insurance, annual leave and repatriation benefits, are presented as liabilities in the accounts.

4. Regular budget funding, insofar as it relates to the United Nations Human Settlements Programme, is included within the financial statements as well as in the notes. Details of regular budget allocations and expenditures are shown on statements I and II and in note 16.

5. The financial statements and schedules, as well as the notes thereon, are an integral part of the financial report.

B. Overview

6. Statements I to III show the combined financial position of UN-Habitat for the bienniums ended 31 December 2011 and 31 December 2009, revealing that:

(a) Total income increased by $95.3 million (28.4 per cent) to $430.9 million;

(b) Total expenditure increased by $106.5 million (33.3 per cent) to $426.9 million;

(c) The excess of income over expenditure before adjustments was $4.0 million, a decrease of $11.3 million;

(d) The excess of income over expenditure was offset by adjustments, including end-of-service and post-retirement benefits accrual of $9.4 million, resulting in a reduction of total reserves and fund balances by $6.4 million (4.8 per cent) to $127.3 million;

(e) The cash position (cash and term deposits, cash pools) as at 31 December 2011 increased by $17.5 million (8.3 per cent) to $228.3 million;

(f) Total assets increased by $7.8 million (3.1 per cent) to $262.1 million;

(g) Total liabilities increased by $14.1 million (11.7 per cent) to $134.9 million.

C. Foundation activities

7. The Governing Council, in its resolution 22/7 of 3 April 2009, approved the general purpose budget of $66,190,500 and endorsed the special-purpose budget of $95,717,700 for the biennium 2010-2011. The Governing Council also approved an increase in the general purpose statutory reserve from $3,279,500 to $6,619,500. The Governing Council further authorized the Executive Director, in the event of a shortfall or a surplus in income, to adjust, in consultation with the Committee of Permanent Representatives, the level of allocations for programme activities in accordance with the actual level of income. The Governing Council also authorized the Executive Director to reallocate general-purpose resources between subprogrammes in an amount of up to 10 per cent of the total general-purpose budget. The Governing Council further authorized the Executive Director to reallocate, in consultation with the Committee of Permanent Representatives, amounts in excess of 10 per cent and up to 25 per cent of the total general-purpose budget.

8. UN-Habitat received pledges for its Foundation activities of $104.7 million for the biennium ended 31 December 2011 as compared to $125.3 million for the biennium ended 31 December 2009, a decrease of $20.6 million (16.5 per cent).

9. Expenditure for Foundation activities of $126.1 million before the elimination of programme support costs is within the budget allocation of $146.4 million approved by the Executive Director as outlined in paragraph 7 above.

D. Technical cooperation activities

10. UN-Habitat received contributions for its technical cooperation activities of $293.7 million for the biennium ended 31 December 2011 as compared to $173.0 million for the biennium ended 31 December 2009, an increase of 69.8 per cent. An additional amount of $0.4 million was received for projects funded by the United Nations Development Programme (UNDP).

11. Expenditure of $301.1 million before elimination of programme support costs is within the budget allocation of $356.7 million approved by the Executive Director.

E. End-of-service and post-retirement benefits

12. UN-Habitat fully accrues for the end-of-service and post-retirement benefits, comprising after-service health insurance liabilities, annual leave and repatriation benefits. UN-Habitat has been funding repatriation benefits at 8 per cent of net salary but after-service health insurance and annual leave are not funded.

13. The estimated current liabilities as at 31 December 2011 as reflected in the 2011 actuarial study carried out by a consulting firm contracted on behalf of UN-Habitat by the United Nations Secretariat have been reflected in the accounts. By fully charging these liabilities in the financial statements as at 31 December 2011, an amount of $19.5 million of cumulative unbudgeted expenditure (liabilities less funding) is being shown in statements I and II. The increase is mainly due to the change of the discount rate used for valuation from 6.0 per cent to 4.5 per cent. The details are disclosed in statement VIII and note 13 to the financial statements.

Chapter V
Financial statements for the biennium ended 31 December 2011

Statement I

United Nations Human Settlements Programme

All funds summary: income and expenditure and changes in reserves and fund balances for the biennium ended 31 December 2011

(Thousands of United States dollars)

	Reference	*Foundation*	*Technical cooperation*	*End-of-service and post-retirement benefits*	*Regular budget*	*All funds eliminations*	*Total* 2011	*Total* 2009 restated
Income								
Regular budget allocations	Note 16	–	–	–	24 677	–	24 677	23 999
Voluntary contributions	Schedules 5.2 and 7.2	104 678	293 718	–	–	–	398 396	298 299
Funds received under inter-organization arrangements	Note 2 (k) (ii) and (t) (iii)	–	405	–	–	–	405	2 368
Income for services rendered		(179)	179	–	–	–	–	156
Interest income		3 473	3 750	–	–	–	7 223	10 324
Miscellaneous income	Note 3	319	23	–	–	(175)	167	458
Total income		**108 291**	**298 075**	**–**	**24 677**	**(175)**	**430 868**	**335 604**
Expenditure								
Staff and other personnel costs		69 226	86 832	–	21 409	–	177 467	149 872
Contractual services		20 840	82 188	–	551	–	103 579	82 836
Travel		8 907	4 692	–	106	(175)	13 530	12 858
Operating expenses		20 093	35 748	–	2 121	–	57 962	45 536
Acquisitions		878	13 882	–	–	–	14 760	8 822
Fellowships, grants and contributions		408	58 726	–	490	–	59 624	20 735
Programme support costs		–	(34)	–	–	–	(34)	(303)
Total expenditure	**Schedules 5.1 and 7.1**	**120 352**	**282 034**	**–**	**24 677**	**(175)**	**426 888**	**320 356**
Excess/(shortfall) of income over expenditure		**(12 061)**	**16 041**	**–**	**–**	**–**	**3 980**	**15 248**
Non-budgeted accrued expenses		–	–	(9 368)	–	–	(9 368)	86
Prior-period adjustments	Note 4	7	(895)	–	–	–	(888)	(286)
Net excess/(shortfall) of income over expenditure		**(12 054)**	**15 146**	**(9 368)**	**–**	**–**	**(6 276)**	**15 048**

	Reference	Foundation	Technical cooperation	End-of-service and post-retirement benefits	Regular budget	All funds eliminations	Total 2011	Total 2009 restated
Savings on prior-period obligations	Note 2 (k) (viii)	1 269	800	–	–	–	2 069	1 979
Transfer to reserves	Note 2 (o), (p) and (q)	(3 979)	(3 724)	–	–	–	(7 703)	(12 305)
Transfers from/(to) other funds		52	(52)	–	–	–	–	–
Refunds to member States and other donors	Note 5	(411)	(1 756)	–	–	–	(2 167)	(379)
Fund balances, beginning of biennium		78 372	47 886	(10 145)	–	–	116 113	111 770
Fund balances, end of biennium	Note 14	63 249	58 300	(19 513)	–	–	102 036	116 113
Reserves, beginning of biennium		**7 916**	**9 596**	**2**	–	–	**17 514**	**4 986**
Transfers to/(from) reserves	Note 2 (o), (p) and (q)	3 979	3 724	(2)	–	–	7 701	12 528
Reserves, end of biennium	**Note 14**	**11 895**	**13 320**	–	–	–	**25 215**	**17 514**
Total reserves and fund balances	**Note 14**	**75 144**	**71 620**	**(19 513)**	–	–	**127 251**	**133 627**

Statement II

United Nations Human Settlements Programme

All funds summary: assets, liabilities, reserves and fund balances as at 31 December 2011

(Thousands of United States dollars)

	Reference	Foundation	Technical cooperation	End-of-service and post-retirement benefits	Regular budget	All funds eliminations	Total 2011	Total 2009 restated
Assets								
Cash and term deposits	Note 6	2 801	6 908	–	–	–	9 709	3 038
Cash pools	Note 6	103 946	114 603	–	–	–	218 549	207 726
Voluntary contributions receivable	Schedule 5.2	191	–	–	–	–	191	1 795
Inter-fund balances receivable	Note 7	5 879	8 743	3 779	–	–	18 401	27 586
Loans and accrued interest receivable	Note 17	2 251	–	–	–	–	2 251	–
Accounts receivable	Note 8	4 346	2 155	–	514	–	7 015	6 079
Balances relating to projects funded by donors	Note 9	–	4 370	–	–	–	4 370	7 672
Other assets	Note 10	994	661	–	–	–	1 655	486
Total assets		**120 408**	**137 440**	**3 779**	**514**	**–**	**262 141**	**254 382**
Liabilities								
Payments or contributions received in advance	Schedule 5.2	11	–	–	–	–	11	10
Unliquidated obligations	Note 11	27 021	57 307	–	514	–	84 842	75 565
Inter-fund balances payable	Note 7	13 829	6 063	–	–	–	19 892	28 165
Accounts payable	Note 12	2 406	1 513	–	–	–	3 919	4 166
End-of-service and post-retirement benefits	Note 13	–	–	23 292	–	–	23 292	12 849
Other liabilities	Note 10	1 997	937	–	–	–	2 934	–
Total liabilities		**45 264**	**65 820**	**23 292**	**514**	**–**	**134 890**	**120 755**
Reserves and fund balances								
Reserves	Notes 2 (o), (p) and (q) and 14	11 895	13 320	–	–	–	25 215	17 514
Fund balance	Notes 2 (r) and 14	63 249	58 300	(19 513)	–	–	102 036	116 113
Total reserves and fund balances		**75 144**	**71 620**	**(19 513)**	**–**	**–**	**127 251**	**133 627**
Total liabilities, reserves and fund balances		**120 408**	**137 440**	**3 779**	**514**	**–**	**262 141**	**254 382**

Statement III

United Nations Human Settlements Programme

All funds summary: cash flows for the biennium ended 31 December 2011

(Thousands of United States dollars)

	Reference	Foundation	Technical cooperation	End-of-service and post-retirement benefits	Regular budget	Total 2011	Total 2009 restated
Cash flows from operating activities							
Net excess/(shortfall) of income over expenditure		(12 054)	15 146	(9 368)	–	(6 276)	15 048
(Increase)/decrease in:							
Contributions receivable		1 604	–	–	–	1 604	470
Loans and accrued interest receivable		(2 251)	–	–	–	(2 251)	–
Accounts receivable		(443)	(930)	–	437	(936)	(2 345)
Other assets		(758)	(411)	–	–	(1 169)	1 313
Inter-fund balances receivable		8 938	1 320	(1 073)	–	9 185	45 429
Balances relating to projects funded by donors		–	3 302	–	–	3 302	3 548
Increase (decrease) in:							
Contributions or payments received in advance		1	–	–	–	1	–
Unliquidated obligations		(19 704)	29 418	–	(437)	9 277	16 686
Accounts payable		1 124	(1 371)	–	–	(247)	(791)
Other liabilities		1 997	937	–	–	2 934	–
Inter-fund balances payable		(9 586)	1 313	–	–	(8 273)	(45 205)
End-of-service and post-retirement benefits		–	–	10 443	–	10 443	629
Less: interest income		(3 473)	(3 750)	–	–	(7 223)	(10 324)
Net cash flows from operating activities		**(34 605)**	**44 974**	**2**	**–**	**10 371**	**24 458**
Cash flows from investing activities							
(Increase)/decrease in cash pools		32 003	(42 826)	–	–	(10 823)	(56 425)
Plus: interest income		3 473	3 750	–	–	7 223	10 324
Net cash flows from investing activities		**35 476**	**(39 076)**	**–**	**–**	**(3 600)**	**(46 101)**

	Reference	Foundation	Technical cooperation	End-of-service and post-retirement benefits	Regular budget	Total 2011	Total 2009 restated
Cash flows from financing activities							
Savings on or cancellation of prior-period obligations		1 269	800	–	–	2 069	1 979
Refunds to member States and other donors		(411)	(1 756)	–	–	(2 167)	(379)
Transfer to/(from) reserves		–	–	(2)	–	(2)	223
Transfers from/(to) other funds		52	(52)	–	–	–	–
Net cash flows from financing activities		**910**	**(1 008)**	**(2)**	**–**	**(100)**	**1 823**
Net increase/(decrease) in cash and term deposits		1 781	4 890	–	–	6 671	(19 820)
Cash and term deposits, beginning of biennium		1 020	2 018	–	–	3 038	22 858
Cash and term deposits, end of biennium	Note 6	2 801	6 908	–	–	9 709	3 038

Statement IV

United Nations Human Settlements Programme

Foundation activities: income and expenditure and changes in reserves and fund balances for the biennium ended 31 December 2011

(Thousands of United States dollars)

	Reference	*Non-earmarked Foundation*	*Earmarked Foundation*	*Water and Sanitation Trust Fund*	*Palestinian Trust Fund*	*Experimental Reimbursable Seeding Operations Trust Fund*	*Programme support*	*All funds eliminations*	*Total*	
									2011	*2009*
Income										
Voluntary contributions	Schedule 5.2	33 999	52 151	12 025	6 503	–	–	–	104 678	125 292
Income for services rendered		–	–	–	–	–	5 539	(5 718)	(179)	17
Interest income		1 134	1 050	803	154	97	235	–	3 473	6 721
Miscellaneous income	Note 3	67	191	61	–	–	–	–	319	427
Total income		**35 200**	**53 392**	**12 889**	**6 657**	**97**	**5 774**	**(5 718)**	**108 291**	**132 457**
Expenditure										
Staff and other personnel costs		30 714	19 871	10 259	728	(6)	7 660	–	69 226	62 651
Contractual services		1 805	9 429	6 123	3 239	–	244	–	20 840	45 345
Travel		2 094	4 899	1 768	33	(1)	114	–	8 907	8 487
Operating expenses		5 404	9 778	3 371	190	239	1 111	–	20 093	16 848
Acquisitions		491	159	184	13	–	31	–	878	1 988
Fellowships, grants and contributions		–	408	–	–	–	–	–	408	482
Programme support costs		–	3 242	2 175	296	5	–	(5 718)	–	–
Total expenditure	**Schedule 5.1**	**40 508**	**47 786**	**23 880**	**4 499**	**237**	**9 160**	**(5 718)**	**120 352**	**135 801**
Excess of income over expenditure		**(5 308)**	**5 606**	**(10 991)**	**2 158**	**(140)**	**(3 386)**	**–**	**(12 061)**	**(3 344)**
Prior-period adjustments	Note 4	(165)	469	(294)	–	(2)	(1)	–	7	(178)
Net excess of income over expenditure		**(5 473)**	**6 075**	**(11 285)**	**2 158**	**(142)**	**(3 387)**	**–**	**(12 054)**	**(3 522)**

	Reference	Non-earmarked Foundation	Earmarked Foundation	Water and Sanitation Trust Fund	Palestinian Trust Fund	Experimental Reimbursable Seeding Operations Trust Fund	Programme support	All funds eliminations	Total 2011	Total 2009
Savings on prior-period obligations	Note 2 (k) (viii)	506	572	181	4	–	6	–	1 269	906
Transfers to reserves	Note 2 (o), (p) and (q)	(3 340)	–	–	(89)	(550)	–	–	(3 979)	(4 732)
Transfer from/(to) other funds		16	36	–	–	–	–	–	52	–
Refunds to member States and other donors	Note 5	–	(399)	(12)	–	–	–	–	(411)	(79)
Fund balances, beginning of biennium		27 050	22 983	16 731	87	3 626	7 895	–	78 372	85 799
Fund balances, end of biennium		18 759	29 267	5 615	2 160	2 934	4 514	–	63 249	78 372
Reserves, beginning of biennium		3 279	–	3 404	249	12	972	–	7 916	3 184
Transfers to reserves	Note 2 (o), (p) and (q)	3 340	–	–	89	550	–	–	3 979	4 732
Reserves, end of biennium		6 619	–	3 404	338	562	972	–	11 895	7 916
Total reserves and fund balances		**25 378**	**29 267**	**9 019**	**2 498**	**3 496**	**5 486**	**–**	**75 144**	**86 288**

Statement V

United Nations Human Settlements Programme

Foundation activities: assets, liabilities, reserves and fund balances as at 31 December 2011

(Thousands of United States dollars)

	Reference	Non-earmarked Foundation	Earmarked Foundation	Water and Sanitation Trust Fund	Palestinian Trust Fund	Experimental Reimbursable Seeding Operations Trust Fund	Programme support	Total 2011	Total 2009 restated
Assets									
Cash and term deposits	Note 6	2 368	43	–	–	390	–	2 801	1 020
Cash pools	Note 6	38 251	36 356	18 885	4 510	791	5 153	103 946	135 949
Voluntary contributions receivable	Schedule 5.2	191	–	–	–	–	–	191	1 795
Inter-fund balances receivable	Note 7	–	3 024	1 566	370	551	368	5 879	14 817
Loans and interest receivable	Note 17	–	–	–	–	2 251	–	2 251	–
Accounts receivable	Note 8	365	1 581	2 369	1	–	30	4 346	3 903
Other assets	Note 10	216	276	493	–	–	9	994	236
Total assets		**41 391**	**41 280**	**23 313**	**4 881**	**3 983**	**5 560**	**120 408**	**157 720**
Liabilities									
Payments or contributions received in advance	Schedule 5.2	11	–	–	–	–	–	11	10
Unliquidated obligations	Note 11	2 395	10 094	12 105	2 383	1	43	27 021	46 725
Inter-fund balances payable	Note 7	12 998	345	–	–	486	–	13 829	23 415
Accounts payable	Note 12	462	769	1 144	–	–	31	2 406	1 282
Other liabilities	Note 10	147	805	1 045	–	–	–	1 997	–
Total liabilities		**16 013**	**12 013**	**14 294**	**2 383**	**487**	**74**	**45 264**	**71 432**

	Reference	Non-earmarked Foundation	Earmarked Foundation	Water and Sanitation Trust Fund	Palestinian Trust Fund	Experimental Reimbursable Seeding Operations Trust Fund	Programme support	Total 2011	Total 2009 restated
Reserves and fund balances									
Reserves	Notes 2 (o), (p) and (q) and 14	6 619	–	3 404	338	562	972	11 895	7 916
Fund balances	Notes 2 (r) and 14	18 759	29 267	5 615	2 160	2 934	4 514	63 249	78 372
Total reserves and fund balances		**25 378**	**29 267**	**9 019**	**2 498**	**3 496**	**5 486**	**75 144**	**86 288**
Total liabilities, reserves and fund balances		**41 391**	**41 280**	**23 313**	**4 881**	**3 983**	**5 560**	**120 408**	**157 720**

Schedule 5.1

United Nations Human Settlements Programme

Foundation activities: status of allocations for the biennium ended 31 December 2011

(Thousands of United States dollars)

	Allocation	*Unliquidated obligations*	*Disbursements*	*Total expenditure*	*Unencumbered balance*
Programme activities					
Staff and other personnel costs	26 572	46	25 983	26 029	543
Contractual services	623	24	588	612	11
Travel	856	23	752	775	81
Operating expenses	2 420	43	2 102	2 145	275
Acquisitions	246	15	215	230	16
Subtotal	**30 717**	**151**	**29 640**	**29 791**	**926**
Non-earmarked projects					
Staff and other personnel costs	5 687	2 568	2 117	4 685	1 002
Contractual services	1 751	623	570	1 193	558
Travel	1 698	165	1 154	1 319	379
Operating expenses	3 712	401	1 907	2 308	1 404
Acquisitions	308	121	140	261	47
Subtotal	**13 156**	**3 878**	**5 888**	**9 766**	**3 390**
Total non-earmarked Foundation	**43 873**	**4 029**	**35 528**	**39 557**	**4 316**
Earmarked Foundation					
Staff and other personnel costs	21 804	5 537	14 334	19 871	1 933
Contractual services	10 863	2 986	6 443	9 429	1 434
Travel	5 287	499	4 400	4 899	388
Operating expenses	13 110	4 485	5 287	9 772	3 338
Acquisitions	540	54	105	159	381
Fellowships, grants and contributions	1 073	245	163	408	665
Programme support costs	3 853	–	3 242	3 242	611
Total earmarked Foundation	**56 530**	**13 806**	**33 974**	**47 780**	**8 750**
Water and Sanitation Trust Fund					
Staff and other personnel costs	11 147	2 227	8 032	10 259	888
Contractual services	9 779	6 578	(455)	6 123	3 656
Travel	1 731	178	1 590	1 768	(37)
Operating expenses	4 054	1 197	2 174	3 371	683
Acquisitions	376	70	114	184	192
Programme support costs	2 630	–	2 175	2 175	455
Total Water and Sanitation Trust Fund	**29 717**	**10 250**	**13 630**	**23 880**	**5 837**

	Allocation	*Unliquidated obligations*	*Disbursements*	*Total expenditure*	*Unencumbered balance*
Palestinian Trust Fund					
Staff and other personnel costs	816	527	201	728	88
Contractual services	4 935	3 746	(507)	3 239	1 696
Travel	30	13	20	33	(3)
Operating expenses	259	45	145	190	69
Acquisitions	34	4	9	13	21
Programme support costs	366	–	296	296	70
Total Palestinian Trust Fund	**6 440**	**4 335**	**164**	**4 499**	**1 941**
Experimental Reimbursable Seeding Operations Trust Fund					
Staff and other personnel costs	–	–	(6)	(6)	6
Travel	–	–	(1)	(1)	1
Operating expenses	75	19	37	56	19
Programme support costs	5	–	5	5	–
Total Experimental Reimbursable Seeding Operations Trust Fund	**80**	**19**	**35**	**54**	**26**
Programme support					
Staff and other personnel costs	8 193	9	7 651	7 660	533
Contractual services	257	7	237	244	13
Travel	124	–	114	114	10
Operating expenses	1 127	2	1 109	1 111	16
Acquisitions	59	18	13	31	28
Total programme support	**9 760**	**36**	**9 124**	**9 160**	**600**
Total before currency exchange losses	**146 400**	**32 475**	**92 455**	**124 930**	**21 470**
Currency exchange losses					
Programme activities	–	–	951	951	(951)
Earmarked Foundation	–	–	6	6	(6)
Experimental Reimbursable Seeding Operations Trust Fund	–	–	183	183	(183)
Total currency exchange losses	**–**	**–**	**1 140**	**1 140**	**(1 140)**
Total expenditure	**146 400**	**32 475**	**93 595**	**126 070**	**20 330**
Less: elimination of programme support costs				(5 718)	
Net total expenditure				**120 352**	

Statement IV

Schedule 5.2

United Nations Human Settlements Programme

Foundation activities: status of contributions and unpaid pledges as at 31 December 2011

(United States dollars)

Country/organization	*Unpaid pledges as at 1 January 2010*	*Adjustments to prior-period pledges and receipts*	*Collections of prior-period pledges*	*Pledges for 2010-2011*	*Revaluation*	*Collections for future periods*	*Collections of 2010-2011 pledges*	*Unpaid pledges*
Human Settlements Foundation								
Non-earmarked contributions from Governments								
Afghanistan	–	–	–	500	–	–	500	–
Algeria	–	–	–	10 000	–	–	10 000	–
Angola	–	–	–	2 550	–	–	2 550	–
Argentina	2 336	–	2 336	3 000	–	–	3 000	–
Bangladesh	7 500	–	7 500	–	–	–	–	–
Barbados	–	–	–	6 000	–	–	6 000	–
Burkina Faso	–	–	–	31 169	–	–	31 169	–
Canada	–	–	–	148 823	–	–	148 823	–
Chile	–	–	–	10 000	–	5 000	15 000	–
Colombia	–	–	–	12 000	–	–	12 000	–
Finland	–	–	–	1 245 923	–	–	1 245 923	–
Ghana	–	–	–	14 147	–	–	–	14 147
Greece	–	–	–	30 000	–	–	30 000	–
India	–	–	–	160 000	–	–	80 000	80 000
Israel	–	–	–	20 000	–	–	20 000	–
Japan	148 364	–	148 364	203 342	–	–	106 970	96 372
Kenya	20 791	–	20 791	120 000	–	5 539	125 539	–
Norway	–	–	–	11 053 206	–	–	11 053 206	–
Pakistan	–	–	–	12 011	–	–	12 011	–
Panama	–	–	–	1 000	–	–	1 000	–
Republic of Korea	–	–	–	179 446	–	–	179 446	–
Russian Federation	–	–	–	20 000	–	–	20 000	–
Rwanda	5 000	10 000	15 000	–	–	–	–	–

Country/organization	*Unpaid pledges as at 1 January 2010*	*Adjustments to prior-period pledges and receipts*	*Collections of prior-period pledges*	*Pledges for 2010-2011*	*Revaluation*	*Collections for future periods*	*Collections of 2010-2011 pledges*	*Unpaid pledges*
Serbia	8 400	–	8 400	–	–	–	–	–
South Africa	–	–	–	45 250	–	–	45 250	–
Spain	–	–	–	9 158 500	–	–	9 158 500	–
Sri Lanka	–	–	–	45 000	–	–	45 000	–
Sweden	–	–	–	5 819 489	–	–	5 819 489	–
Tunisia	–	–	–	1 399	–	–	1 399	–
Uganda	3 011	–	3 011	–	–	–	–	–
United Kingdom of Great Britain and Northern Ireland	1 600 000	–	1 600 000	1 580 000	–	–	1 580 000	–
United Republic of Tanzania	–	–	–	5 928	–	–	5 928	–
United States of America	–	–	–	4 050 000	–	–	4 050 000	–
Zimbabwe	–	–	–	10 000	–	–	10 000	–
Total non-earmarked contributions to the Foundation	**1 795 402**	**10 000**	**1 805 402**	**33 998 683**	**–**	**10 539**	**33 818 703**	**190 519**
Earmarked contributions from Governments								
Bahrain	–	–	–	200 000	–	–	200 000	–
Brazil	–	–	–	2 900 000	–	–	2 900 000	–
Burkina Faso	–	–	–	18 931	–	–	18 931	–
Canada	–	–	–	234 158	–	–	234 158	–
China	–	–	–	422 126	–	–	422 126	–
Egypt	–	–	–	570 000	–	–	570 000	–
Finland	–	–	–	119 010	–	–	119 010	–
France	–	–	–	662 900	–	–	662 900	–
Germany	–	–	–	629 251	–	–	629 251	–
Italy	–	–	–	414 779	–	–	414 779	–
Japan	–	–	–	569 287	–	–	569 287	–
Jordan	–	–	–	63 910	–	–	63 910	–
Kuwait	–	–	–	2 432 541	–	–	2 432 541	–
Nigeria	–	–	–	203 552	–	–	203 552	–

Country/organization	*Unpaid pledges as at 1 January 2010*	*Adjustments to prior-period pledges and receipts*	*Collections of prior-period pledges*	*Pledges for 2010-2011*	*Revaluation*	*Collections for future periods*	*Collections of 2010-2011 pledges*	*Unpaid pledges*
Norway	–	–	–	12 323 475	–	–	12 323 475	–
Republic of Korea	–	–	–	112 163	–	–	112 163	–
Russian Federation	–	–	–	780 000	–	–	780 000	–
Slovenia	–	–	–	13 459	–	–	13 459	–
Spain	–	–	–	13 655 043	–	–	13 655 043	–
Sweden	–	–	–	3 566 872	–	–	3 566 872	–
Total earmarked contributions from Governments	**–**	**–**	**–**	**39 891 457**	**–**	**–**	**39 891 457**	**–**
Earmarked contributions from organizations								
Booyoung	–	–	–	300 000	–	–	300 000	–
Corporación Andina de Fomento	–	–	–	100 000	–	–	100 000	–
European Union	–	–	–	64 500	–	–	64 500	–
International Bank for Reconstruction and Development/World Bank	–	–	–	4 957 106	–	–	4 957 106	–
International Development Research Centre	–	–	–	110 702	–	–	110 702	–
Joint United Nations Programme on HIV/AIDS	–	–	–	68 600	–	–	68 600	–
Lanxess Deutschland Gmbh	–	–	–	2 775	–	–	2 775	–
Siemens Aktiengesellschaft	–	–	–	98 260	–	–	98 260	–
United Nations Environment Programme/Global Environment Facility secretariat	–	–	–	830 000	–	–	830 000	–
United Nations Federal Credit Union-United Nations Office at Nairobi, Corporate Credit Card	–	–	–	6 100	–	–	6 100	–
United Nations Population Fund	–	–	–	122 795	–	–	122 795	–
University of Pavia	–	–	–	54 274	–	–	54 274	–
United Nations Children's Fund	–	–	–	29 962	–	–	29 962	–

Country/organization	*Unpaid pledges as at 1 January 2010*	*Adjustments to prior-period pledges and receipts*	*Collections of prior-period pledges*	*Pledges for 2010-2011*	*Revaluation*	*Collections for future periods*	*Collections of 2010-2011 pledges*	*Unpaid pledges*
United Nations Development Programme	–	–	–	124 184	–	–	124 184	–
United Nations Environment Programme (UNEP)	–	–	–	60 000	–	–	60 000	–
United Nations General Trust Fund	–	–	–	146 760	–	–	146 760	–
Office of the United Nations High Commissioner for Refugees	–	–	–	50 000	–	–	50 000	–
World Food Programme	–	–	–	15 000	–	–	15 000	–
Total earmarked contributions from organizations	–	–	–	**7 141 018**	–	–	**7 141 018**	–
Earmarked contributions from public donors								
BASF Aktiengesellschaft	–	–	–	302 979	–	–	302 979	–
Bill and Melinda Gates Foundation	–	–	–	73 000	–	–	73 000	–
Bureau of Shanghai World Expo Coordination	–	–	–	1 823 057	–	–	1 823 057	–
Coca Cola-Atlanta	–	–	–	60 000	–	–	60 000	–
Coca-Cola Southeast Asia Inc.	–	–	–	269 925	–	–	269 925	–
Donation of People of Japan	–	–	–	19 166	–	–	19 166	–
Fukuoka International Exchange Foundation	–	–	–	1 455 365	–	–	1 455 365	–
Fundação Euclides da Cunha	–	–	–	87 079	–	–	87 079	–
Gangwon Province, Republic of Korea	–	–	–	212 330	–	–	212 330	–
Hyundai Motor Company	–	–	–	395 579	–	–	395 579	–
Prefeitura da Cidade do Rio de Janeiro	–	–	–	315 835	–	–	315 835	–
Veolia Environement	–	–	–	52 800	–	–	52 800	–

Country/organization	Unpaid pledges as at 1 January 2010	Adjustments to prior-period pledges and receipts	Collections of prior-period pledges	Pledges for 2010-2011	Revaluation	Collections for future periods	Collections of 2010-2011 pledges	Unpaid pledges
Ville de Dakar	–	–	–	51 295	–	–	51 295	–
Total earmarked contributions from public donors	–	–	–	**5 118 410**	–	–	**5 118 410**	–
Total earmarked contributions to the Foundation	–	–	–	**52 150 885**	–	–	**52 150 885**	–
Total contributions to the Foundation	**1 795 402**	**13 000**	**1 805 402**	**86 149 568**	–	**10 539**	**85 969 588**	**190 519**
Water and Sanitation Trust Fund								
Abu Dhabi Water and Electricity Authority	–	–	–	3 514 075	–	–	3 514 075	–
Catal Cooperation Development Agency	–	–	–	134 810	–	–	134 810	–
BASF Aktiengesellschaft	–	–	–	327 644	–	–	327 644	–
Cadbury Kenya Ltd.	–	–	–	10 000	–	–	10 000	–
Coca Cola Far East Ltd.	–	–	–	50 000	–	–	50 000	–
Coca Cola India Pvt Ltd.	–	–	–	99 950	–	–	99 950	–
European Investment Bank	–	–	–	39 594	–	–	39 594	–
Fukuoka Habitat Institute	–	–	–	60 000	–	–	60 000	–
France	–	–	–	52 284	–	–	52 284	–
Global Environment and Technology Foundation	–	–	–	21 924	–	–	21 924	–
Google Incorporated	–	–	–	300 000	–	–	300 000	–
Italy	–	–	–	198 000	–	–	198 000	–
Japan Water Forum	–	–	–	18 800	–	–	18 800	–
Netherlands	–	–	–	1 700 000	–	–	1 700 000	–
Norway	–	–	–	4 293 388	–	–	4 293 388	–
Swedish Agency for Economic and Regional Growth	–	–	–	36 710	–	–	36 710	–

Country/organization	*Unpaid pledges as at 1 January 2010*	*Adjustments to prior-period pledges and receipts*	*Collections of prior-period pledges*	*Pledges for 2010-2011*	*Revaluation*	*Collections for future periods*	*Collections of 2010-2011 pledges*	*Unpaid pledges*
United Nations Development Assistance Plan, United Republic of Tanzania	–	–	–	153 712	–	–	153 712	–
United Nations Environment Programme	–	–	–	20 000	–	–	20 000	–
United Nations Fund for International Partnership	–	–	–	97 500	–	–	97 500	–
United Nations Office for Project Services, Switzerland	–	–	–	896 188	–	–	896 188	–
Total contributions to the Water and Sanitation Trust Fund	–	–	–	**12 024 579**	–	–	**12 024 579**	–
Palestinian Trust Fund								
Bahrain	–	–	–	300 000	–	–	300 000	–
Department of Applied Agricultural Research (Arab Authority for Agricultural Investment and Development)	–	–	–	242 645	–	–	242 645	–
European Union	–	–	–	825 057	–	–	825 057	–
France	–	–	–	715 146	–	–	715 146	–
Saudi Arabia	–	–	–	4 415 954	–	–	4 415 954	–
VNG International	–	–	–	4 526	–	–	4 526	–
Total contributions to the Palestinian Trust Fund	–	–	–	**6 503 328**	–	–	**6 503 328**	–
Total contributions	**1 795 402**	**10 000**	**1 805 402**	**104 677 475**	–	**10 539**	**104 497 495**	**190 519**

	Statement IV	Statement V			Statement V
	Less than six months	*Six months to one year*	*More than one year*	*More than two years*	*Total*
Ageing of unpaid pledges					
Governments	110 519	80 000	–	–	
Total	**110 519**	**80 000**	–	–	

Statement VI

United Nations Human Settlements Programme

Technical cooperation activities: income and expenditure and changes in reserves and fund balances for the biennium ended 31 December 2011

(Thousands of United States dollars)

	Reference	*Trust funds*	*United Nations Development Programme*	*Programme support*	*All funds eliminations*	*Total* 2011	*Total* 2009
Income							
Voluntary contributions	Schedule 7.2	293 718	–	–	–	293 718	173 007
Funds received under inter-organization arrangements	Note 2 (k) (ii) and (t) (iii)	–	405	–	–	405	2 368
Income for services rendered		–	–	19 252	(19 073)	179	200
Interest income		3 481	–	269	–	3 750	3 603
Miscellaneous income	Note 3	22	1	–	–	23	31
Total income		**297 221**	**406**	**19 521**	**(19 073)**	**298 075**	**179 209**
Expenditure							
Staff and other personnel costs		74 115	507	12 210	–	86 832	66 358
Contractual services		81 265	268	655		82 188	36 858
Travel		4 374	67	251		4 692	4 254
Operating expenses		32 619	7	3 122	–	35 748	26 560
Acquisitions		13 617	128	137	–	13 882	6 834
Fellowships, grants and contributions		58 898	(172)	–	–	58 726	19 995
Programme support costs		18 979	60	–	(19 073)	(34)	(242)
Total expenditure	**Schedule 7.1**	**283 867**	**865**	**16 375**	**(19 073)**	**282 034**	**160 617**
Excess/(shortfall) of income over expenditure		**13 354**	**(459)**	**3 146**	**–**	**16 041**	**18 592**
Prior-period adjustments	Note 4	(892)	–	(3)	–	(895)	(108)
Net excess/(shortfall) of income over expenditure		**12 462**	**(459)**	**3 143**	**–**	**15 146**	**18 484**
Savings on prior-period obligations	Note 2 (k) (viii)	245	522	33	–	800	1 073
Transfers to reserves	Note 2 (p)	(3 566)	–	(158)	–	(3 724)	(7 794)
Transfers from/(to) other funds		(52)	–	–	–	(52)	–
Refunds to member States and other donors	Note 5	(1 693)	(63)	–	–	(1 756)	(300)

	Reference	Trust funds	United Nations Development Programme	Programme support	All funds eliminations	Total 2011	Total 2009
Fund balances, beginning of biennium		41 121	–	6 765	–	47 886	36 423
Fund balances, end of biennium		48 517	–	9 783	–	58 300	47 886
Reserves, beginning of biennium		7 794	–	1 802	–	9 596	1 802
Transfers to reserves	Note 2 (p)	3 566	–	158	–	3 724	7 794
Reserves, end of biennium		11 360	–	1 960	–	13 320	9 596
Total reserves and fund balances		**59 877**	–	**11 743**	–	**71 620**	**57 482**

Statement VII

United Nations Human Settlements Programme

Technical cooperation activities: assets, liabilities, reserves and fund balances as at 31 December 2011

(Thousands of United States dollars)

	Reference	*Trust funds*	*United Nations Development Programme*	*Programme support costs*	*Total*	
					2011	*2009 restated*
Assets						
Cash and term deposits	Note 6	6 908	–	–	6 908	2 018
Cash pools	Note 6	103 403	–	11 200	114 603	71 777
Inter-fund balances receivable	Note 7	7 892	38	813	8 743	10 063
Accounts receivable	Note 8	1 856	209	90	2 155	1 225
Balances relating to projects funded by donors	Note 9	–	4 370	–	4 370	7 672
Other assets	Note 10	588	–	73	661	250
Total assets		**120 647**	**4 617**	**12 176**	**137 440**	**93 005**
Liabilities						
Unliquidated obligations	Note 11	56 173	730	404	57 307	27 889
Inter-fund balances payable	Note 7	2 933	3 130	–	6 063	4 750
Accounts payable	Note 12	727	757	29	1 513	2 884
Other liabilities	Note 10	937	–	–	937	–
Total liabilities		**60 770**	**4 617**	**433**	**65 820**	**35 523**
Reserves and fund balances						
Reserves	Notes 2 (p) and 14	11 360	–	1 960	13 320	9 596
Fund balance	Notes 2 (r) and 14	48 517	–	9 783	58 300	47 886
Total reserves and fund balances		**59 877**	**–**	**11 743**	**71 620**	**57 482**
Total liabilities, reserves and fund balances		**120 647**	**4 617**	**12 176**	**137 440**	**93 005**

Schedule 7.1

United Nations Human Settlements Programme

Technical cooperation activities: status of allocations for the biennium ended 31 December 2011

(Thousands of United States dollars)

	Allocation	*Unliquidated obligations*	*Disbursements*	*Total expenditure*	*Unencumbered balance*
Trust funds					
Staff and other personnel costs	83 340	15 479	58 636	74 115	9 225
Contractual services	87 901	45 680	35 585	81 265	6 636
Travel	5 706	622	3 752	4 374	1 332
Operating expenses	47 419	7 540	25 079	32 619	14 800
Acquisitions	17 418	5 887	7 730	13 617	3 801
Fellowships, grants and contributions	72 233	21 404	37 494	58 898	13 335
Programme support costs	22 451		18 979	18 979	3 472
Subtotal	**336 468**	**96 612**	**187 255**	**283 867**	**52 601**
United Nations Development Programme					
Staff and other personnel costs	941	166	341	507	434
Contractual services	475	342	(74)	268	207
Travel	144	21	46	67	77
Operating expenses	107	54	(47)	7	100
Acquisitions	175	174	(46)	128	47
Fellowships, grants and contributions	12	7	(179)	(172)	184
Programme support costs	177		60	60	117
Subtotal	**2 031**	**764**	**101**	**865**	**1 166**
Programme support					
Staff and other personnel costs	13 140	63	12 147	12 210	930
Contractual services	868	257	398	655	213
Travel	239	18	233	251	(12)
Operating expenses	3 794	7	3 112	3 119	675
Acquisitions	200	16	121	137	63
Subtotal	**18 241**	**361**	**16 011**	**16 372**	**1 869**
Total before currency exchange losses	**356 740**	**97 737**	**203 367**	**301 104**	**55 636**

	Allocation	*Unliquidated obligations*	*Disbursements*	*Total expenditure*	*Unencumbered balance*
Currency exchange losses					
Programme support	–	–	3	3	(3)
Total	**356 740**	**97 737**	**203 370**	**301 107**	**55 633**
Less: elimination of programme support costs				(19 073)	
Net total expenditure				**282 034**	

Statement VI

Schedule 7.2

United Nations Human Settlements Programme

Technical cooperation activities: status of contributions for the biennium ended 31 December 2011

(United States dollars)

Country/organization	*2011*	*2009*
Trust fund		
Governments		
Afghanistan	551 009	1 587 267
Algeria	10 000	–
Australia	8 655 700	–
Burkina Faso	30 761	–
Cameroon	10 166	–
Canada	3 204 338	–
Colombia	269 705	146 732
Cyprus	–	341 999
Democratic Republic of the Congo	10 000	–
Egypt	2 779 161	3 142 161
Finland	66 740	592 482
France	–	15 251
Germany	42 449	–
Iran (Islamic Republic of)	491 006	500 000
Italy	1 239 575	2 054 636
Japan	107 629 420	25 048 308
Kenya	159 935	62 177
Libya	1 653 903	–
Mali	19 572	–
Mexico	241 209	948 334
Morocco	228 523	662 835
Netherlands	–	679 341
Nigeria	130 566	682 932
Norway	2 264 537	1 072 356
Pakistan	3 460 000	–
Republic of Korea	–	3 000
Rwanda	10 000	–
South Africa	10 000	–
Spain	9 458 167	2 705 473
Sweden	4 967 274	2 021 137
Togo	9 970	–
Turkey	100 000	–
Uganda	10 000	–

Country/organization	*2011*	*2009*
United Kingdom of Great Britain and Northern Ireland	2 759 924	5 208 301
United States of America	–	3 623 835
Zambia	19 980	–
Zimbabwe	9 975	–
Total contributions from Governments	**150 503 565**	**51 098 557**
Organizations		
African Union	–	50 000
Asian Development Bank	2 842 573	6 824 733
Australian Agency for International Development	5 615 454	–
Canadian International Development Agency	8 679 334	13 723 886
CARE International, United Kingdom	30 943	–
Corporación Volver a la Gente	101 565	–
Council of Europe Development Bank	–	239 328
Department for International Development, United Kingdom	14 069 312	10 059 874
Department of the Interior and Local Government, Philippines	–	34 000
European Union	23 477 763	10 413 851
Fundação Sousândrade de Apoio ao Desenvolvimento da Universidade Federal do Maranhão	58 364	–
Fundação Euclides da Cunha	63 017	–
International Bank for Reconstruction and Development/World Bank	1 262 583	4 833 849
International Fund for Agricultural Development	–	660 000
International Federation of Red Cross and Red Crescent Societies	35 301	–
International Federation of Red Cross and Red Crescent Societies and Royal Commonwealth Society, Sri Lanka	64 120	–
International Finance Corporation	–	29 313
International Fund for Agricultural Development, Kenya	–	660 000
Irish Aid	245 000	288 600
Livelihoods and Food Security Trust Fund/United Nations Office for Project Services	1 092 012	–
Millennium Development Goal Achievement Fund secretariat	1 151 144	–

Country/organization	*2011*	*2009*
Multi-Donor Trust Fund, Pakistan	375 000	–
Municipality of Hani i Elezit	26 128	–
Norwegian Peoples Aid	–	1 249 975
New Zealand Aid Programme	250 000	–
UNHCR Audit Section, Office of Internal Oversight Services	196 254	–
Swedish International Development Cooperation Agency	–	4 700 659
United Nations Development Group Haiti Reconstruction Fund	12 790 640	–
United Nations Development Group, Iraq trust fund, Bureau for Resources and Strategic Partnerships/UNDP	4 119 288	14 868 394
United Nations Educational, Scientific and Cultural Organization, Islamabad	137 715	–
United Nations Population Fund, Pakistan	1 020 000	–
International Strategy for Disaster Reduction	158 315	–
United Nations Assistance Mission in Afghanistan	–	159 044
United Nations Children's Fund	1 822 452	1 774 253
United Nations Children's Fund Somalia Country Office	–	205 970
United Nations Development Programme	14 311 810	25 252 358
United Nations Economic Commission for Asia and the Pacific	–	75 000
United Nations Environment Programme	–	20 000
United Nations General Trust Fund	9 207 989	4 231 017
Office of the United Nations High Commissioner for Refugees	3 600 726	1 820 568
Office for the Coordination of Humanitarian Affairs, Somalia	23 979	233 440
United Nations Trust Fund for Human Security	514 263	–
United States Agency for International Development	29 724 494	10 257 830
World Food Programme	–	162 694
World Health Organization, Sudan	1 356 589	–
Total contributions from organizations	**138 414 127**	**112 828 636**
Public donors		
Al Fayhaa Union of Municipalities	40 980	–
American University of Beirut	9 973	–
Art Consultancy Agency Riegelsberger	–	7 590

Country/organization	*2011*	*2009*
BASF Aktiengesellschaft	180 950	1 323 055
City of Munich	28 127	335 394
Construction Bureau of Jiangyin City	107 138	–
Fundação Vale	107 000	–
Gobierno del Estado de Veracruz	–	183 673
Instituto de Promoción y Apoyo al Desarrollo	–	88 647
International Development Research Centre	–	1 618
International Federation of Red Cross and Red Crescent Societies	–	2 040 141
Institute for the Protection and the Security of the Citizen	91 853	–
Japan Habitat Association	30 000	–
Japan Platform	–	56 650
Katahira and Engineers International	38 384	1 739 106
Knorr Bremse Global Care	–	99 441
Miscellaneous income to UN-Habitat	1 670	–
Ministry of Rural Rehabilitation and Development, Afghanistan	894 920	–
Organization of the Islamic Conference	75 000	–
Organizzazione Overseas	–	56 000
Prefeitura da Cidade do Rio de Janeiro	2 452 973	–
Rotary	–	50 000
Sagittarius Mines, Inc.	–	20 833
Salvation Army (Sri Lanka)	740 964	967 697
United Arab Emirates Red Crescent	–	821 722
VARA Broadcasting Corporation, Netherlands	–	6 326
Total contributions from public donors	**4 799 932**	**7 797 893**
Total trust fund contributions	**293 717 624**	**171 725 086**
Projects funded by the United Nations Development Programme	–	**1 282 373**
Total contributions	**293 717 624**	**173 007 459**

Statement VI

Statement VIII

United Nations Human Settlements Programme

End-of-service and post-retirement benefits: income and expenditure and changes in reserves and fund balances for the biennium ended 31 December 2011

(Thousands of United States dollars)

	Reference	*After-service health insurance*	*Annual leave*	*Repatriation benefits*	*Total*	
					2011	*2009*
Non-budgeted accrued expenses		(9 262)	100	(206)	(9 368)	86
Net excess/(shortfall)of income over expenditure		(9 262)	100	(206)	(9 368)	86
Transfers from reserves		–	–	–	–	221
Fund balances, beginning of biennium		(8 177)	(1 968)	–	(10 145)	(10 452)
Fund balances, end of biennium		(17 439)	(1 868)	(206)	(19 513)	(10 145)
Reserves, beginning of biennium		–	–	2	2	–
Transfers to reserves		–	–	(2)	(2)	2
Reserves, end of biennium		–	–	–	–	2
Total reserves and fund balances		**(17 439)**	**(1 868)**	**(206)**	**(19 513)**	**(10 143)**

Assets, liabilities, reserves and fund balances as at 31 December 2011

(Thousands of United States dollars)

	Reference	*After-service health insurance*	*Annual leave*	*Repatriation benefits*	*Total*	
					2011	*2009*
Assets						
Inter-fund balances	Note 7	–	–	3 779	3 779	2 706
Total assets		–	–	**3 779**	**3 779**	**2 706**
Liabilities						
End-of-service and post-retirement benefits	Note 13	17 439	1 868	3 985	23 292	12 849
Total liabilities		**17 439**	**1 868**	**3 985**	**23 292**	**12 849**
Reserves and fund balances						
Reserves		–	–	–	–	2
Fund balances	Notes 2 (r) and 14	(17 439)	(1 868)	(206)	(19 513)	(10 145)
Total reserves and fund balances	**Note 13**	**(17 439)**	**(1 868)**	**(206)**	**(19 513)**	**(10 143)**
Total liabilities, reserves and fund balances		–	–	**3 779**	**3 779**	**2 706**

Notes to the financial statements

Note 1
The United Nations Human Settlements Programme and its objectives

(a) On 16 December 1974, the General Assembly adopted resolution 3327 (XXIX), by which it created the United Nations Habitat and Human Settlements Foundation.

(b) On 19 December 1977, the General Assembly adopted resolution 32/162, by which it established a secretariat (the United Nations Centre for Human Settlements (Habitat)) and a Commission on Human Settlements.

(c) On 21 December 2001, the General Assembly adopted resolution 56/206, by which, with effect from 1 January 2002, it transformed the United Nations Centre for Human Settlements, including the United Nations Habitat and Human Settlements Foundation, into the United Nations Human Settlements Programme and the Commission on Human Settlements into the Governing Council of the United Nations Human Settlements Programme. By the same resolution, the General Assembly confirmed that the Executive Director of the United Nations Human Settlements Programme shall be responsible for the management of the United Nations Habitat and Human Settlements Foundation.

(d) The main objectives of the Programme are:

(i) To improve the shelter conditions of the world's poor and to ensure sustainable human settlements development;

(ii) To monitor and assess progress towards the attainment of the Habitat Agenda goals and the targets of the Millennium Declaration and the Johannesburg plan of implementation on slums, safe drinking water and sanitation;

(iii) To strengthen the formulation and implementation of urban and housing policies, strategies and programmes and to develop related capacities, primarily at the national and local levels;

(iv) To facilitate the mobilization of investments from international and domestic sources in support of adequate shelter, related infrastructure development programmes and housing finance institutions and mechanisms, particularly in developing countries and in countries with economies in transition.

Note 2
Summary of significant accounting and financial reporting policies of the United Nations

(a) The accounts of the United Nations Human Settlements Programme (UN-Habitat) are maintained in accordance with the Financial Regulations and Rules of the United Nations as adopted by the General Assembly, the rules formulated by the Secretary-General as required under the regulations, administrative instructions issued by the Under-Secretary-General for Management or the Controller, including the special annex of the financial rules of UN-Habitat and specific decisions of the Governing Council. They also take fully into account the United Nations system accounting standards, as adopted by the Administrative

Committee on Coordination. The Administrative Committee on Coordination has since been replaced by the Chief Executives Board for Coordination (CEB). The Organization follows International Accounting Standard 1, "Presentation of financial statements", on the disclosure of accounting policies, as modified and adopted by CEB as set out below:

(i) Going concern, consistency and accrual are fundamental accounting assumptions. Where fundamental accounting assumptions are followed in financial statements, disclosure of such assumptions is not required. If a fundamental accounting assumption is not followed, that fact should be disclosed together with the reasons;

(ii) Prudence, substance over form and materiality should govern the selection and application of accounting policies;

(iii) Financial statements should include clear and concise disclosure of all significant accounting policies that have been used;

(iv) The disclosure of the significant accounting policies used should be an integral part of the financial statements. These policies should normally be disclosed in one place;

(v) Financial statements should show comparative figures for the corresponding period of the preceding financial period;

(vi) A change in an accounting policy that has a material effect in the current period or may have a material effect in subsequent periods should be disclosed, together with the reasons. The effect of the change should, if material, be disclosed and quantified.

(b) The Organization's accounts are maintained on a fund accounting basis. Each fund is maintained as a distinct financial and accounting entity with a separate self-balancing, double-entry group of accounts. Separate financial statements are prepared for each fund or group of funds of the same nature.

(c) The financial period of the Organization is a biennium and consists of two consecutive calendar years for all funds.

(d) Generally, income, expenditure, assets and liabilities are recognized on the accrual basis of accounting. For voluntary contribution income, the policy in paragraph (k) (i) below applies.

(e) The accounts of the Organization are presented in United States dollars. Accounts maintained in other currencies are translated into United States dollars at the time of the transactions, at rates of exchange established by the United Nations. In respect of such currencies, the financial statements shall reflect the cash, investments, unpaid pledges, and current accounts receivable and payable in currencies other than United States dollars, translated at the applicable United Nations rates of exchange in effect as at the date of the statements. In the event that the application of actual exchange rates at the date of the statements would provide a valuation materially different from the application of the Organization's rates of exchange for the last month of the financial period, a footnote will be presented quantifying the difference.

(f) The Organization's financial statements are prepared on the historical cost basis of accounting, and are not adjusted to reflect the effects of changing prices for goods and services.

(g) The cash flow summary statement is based on the indirect method of cash flow as referred to in the United Nations system accounting standards.

(h) The Organization's financial statements are prepared in accordance with the ongoing recommendations of the Working Party on Accounting Standards to CEB.

(i) The results of the Organization's operations presented in statements I, II and III are combined by type of fund after the elimination of all instances of double counting of income and expenditure. Their presentation on a combined basis does not imply that the various separate funds can be intermingled in any way, since, normally, resources may not be utilized between funds.

(j) Under General Assembly resolution 32/162, the regular budget of the United Nations meets part of the costs of the secretariat of UN-Habitat. Details of the expenditure may be found in the financial report and audited financial statements of the United Nations. However, for transparency, the status of the current period's allocations from the regular budget given to UN-Habitat are included in statement I and the related assets and liabilities, if any, in statement II.

(k) Income:

(i) Voluntary contributions from Member States or other donors are recorded as income on the basis of a written commitment to pay monetary contributions at specified times within the current financial period. Pledged contributions that remain outstanding for more than three years are reviewed and written off during the financial period when they would have been four years old. Outstanding pledges can only be carried in the books of UN-Habitat for more than four years upon a written commitment from the concerned donor to settle them within a defined time frame. Voluntary contributions made in the form of services and supplies that are acceptable to the Secretary-General are credited to income or noted in the financial statements;

(ii) Income received under inter-organizational arrangements represents allocations of funding from agencies to enable the Organization to administer projects or other programmes on their behalf;

(iii) Allocations from other funds represent monies appropriated or designated from one fund for transfer to and disbursement from another fund;

(iv) Income for services rendered includes reimbursements for salaries of staff members and other costs that are attributable to providing technical and administrative support to other organizations;

(v) Interest income includes all interest earned on loans, deposits in bank accounts, investment income earned on marketable securities and other negotiable instruments and investment income earned in the cash pools. All realized losses and net unrealized losses on short-term investments are offset against investment income. Investment income and costs associated with the operation of investments in the cash pools are allocated to the participating funds;

(vi) Miscellaneous income includes the sale of used or surplus property, refunds of expenditure charged to prior periods, income from net gains resulting from currency translations, settlements of insurance claims, monies accepted for which no purpose was specified and other sundry income;

(vii) Income relating to future financial periods is not recognized in the current financial period and is recorded as payments or contributions received in advance, as referred to in item (n) (iii);

(viii) Savings from the liquidation of the obligations of prior bienniums relating to programme costs are credited directly to the fund balances. Savings relating to project costs are credited to the project.

(l) Expenditure:

(i) Expenditure is incurred against authorized allotments. Total expenditure reported includes unliquidated obligations and disbursements;

(ii) Expenditure incurred for non-expendable property is charged to the budget of the biennium when acquired and is not capitalized. Inventory of such non-expendable property is maintained at historical cost;

(iii) Expenditure for future financial periods is not charged to the current financial period and is recorded as deferred charges as referred to in item m (iv) and (vi) below.

(m) Assets:

(i) Cash and term deposits represent funds held in demand deposit accounts and interest bearing bank deposits;

(ii) Investments include marketable securities and other negotiable instruments acquired by the Organization to produce income. Short-term investments are stated at the lower of cost or market value; long-term investments are stated at cost. Cost is defined as the nominal value plus or minus any unamortized premium or discount. If the market value of the short-term investments is lower than the book value, the book value is adjusted accordingly (see also note 6);

(iii) Cash pools comprise participating funds' share of cash and term deposits, short-term and long-term investments and accrual of investment income, all of which are managed in these pools. The investments in the cash pools are similar in nature and are accounted for as stated in item (m) (ii) above. Share in the cash pools is reported separately in each of the participating funds' statement, and its composition and the market value of its investments are disclosed in note 6;

(iv) Deferred charges comprise expenditure items that are not properly chargeable to the current financial period. They will be charged as expenditure in a subsequent period. These expenditure items include commitments approved by the Controller for future financial periods in accordance with financial rule 106.7. Such commitments are restricted to administrative requirements of a continuing nature and to contracts or legal obligations where long lead times are required for delivery;

(v) Interfund balances reflect transactions between funds, and are included in the amounts due to and from the technical cooperation funds, trust funds, other special accounts, the United Nations General Fund and other United Nations funds, which are normally settled periodically dependent upon availability of cash resources;

(vi) For the purpose of the balance sheet statements only, those portions of education grant advances that are assumed to pertain to the scholastic years completed as at the date of the financial statement are shown as deferred charges. The full amounts of the advances are maintained as accounts receivable from staff members until the required proofs of entitlement are produced, at which time the budgetary accounts are charged, and the advances settled;

(vii) Maintenance and repairs of capital assets are charged against the appropriate budgetary accounts. Furniture, equipment, other non-expendable property, and leasehold improvements are not included in the assets of the Organization. Such acquisitions are charged against budgetary accounts in the year of purchase. The value of non-expendable property is disclosed in note 15 to the financial statements;

(viii) Loan and interest receivable represents the outstanding amount of loans including accrued interest.

(n) Liabilities and reserves and fund balances:

(i) Operating and other types of reserves are included in the "Reserves and fund balances" shown in the financial statements;

(ii) Unliquidated obligations for future years are reported as deferred charges and as unliquidated obligations;

(iii) Deferred income includes pledged contributions for future periods, payments and contributions received in advance and other income received but not yet earned;

(iv) Commitments of the Organization relating to prior, current and future financial periods are shown as unliquidated obligations. Current period obligations related to trust funds remain valid for 12 months following the end of the biennium to which they relate. Obligations for most technical cooperation activities remain valid for 12 months after the end of each calendar year. Unliquidated obligations to funds of a multi-year nature remain valid until the completion of the project;

(v) Contingent liabilities, if any, are disclosed in the notes to the financial statements;

(vi) Accrued liabilities for end-of-service and post-retirement benefits comprise after-service health insurance, unused annual leave and repatriation benefits. These are determined on an actuarial basis.

(o) Financial reserve: as stated in rule 304.3.2 (b) of the financial rules of the Foundation, the purpose of the financial reserve is to guarantee the financial liquidity and integrity of the Foundation, to compensate for uneven cash flows, and to meet such other similar requirements as may be decided upon by the Governing Council.

(p) Operating reserve: with regard to the programme support costs account, and as stated in administrative instruction ST/AI/286, an operating reserve of 20 per cent of the estimated annual programme support income is required to be held in a separate account at all times. This reserve is to protect against unforeseen shortfalls in delivery, inflation and currency adjustments or to liquidate legal obligations in case of abrupt terminations of activities financed from extrabudgetary resources. With regard to trust funds, and as stated in administrative instruction ST/AI/284, an operating cash reserve at a constant level of 15 per cent of estimated annual planned expenditure will be maintained during the implementation of trust fund activities to cover shortfalls and will be utilized to meet the final expenditure under the trust fund, including any liquidating liabilities.

(q) Loan fund reserve: as stated in rule 304.3.2 (e) of the financial rules of the Foundation, the purpose of the loan fund reserve is to provide and maintain security for those borrowings incurred by the Foundation and to maintain a sound cash flow situation in the Foundation Loan Fund account.

(r) Earmarked fund balance: funds designated for specified project activities are not available for the non-earmarked project and programme expenditure of the Foundation.

(s) A provision to meet contingent liabilities for compensation payments under appendix D to the Staff Rules of the United Nations for the personnel financed from trust funds and the Foundation has been made and is calculated on the basis of 1 per cent of net base salary.

(t) Technical cooperation activities:

(i) The technical cooperation financial statements report on activities financed by voluntary contributions and funds received under inter-organizational arrangements from the United Nations Development Programme (UNDP) and other sources;

(ii) Voluntary contributions from Member States or other donors for technical cooperation activities are recorded as income upon receipt of cash, including amounts received pending the identification of specific projects;

(iii) The allocation of funds received under inter-organizational arrangements from UNDP is determined by taking into account interest and other miscellaneous income against total expenditure;

(iv) Interest and miscellaneous income for technical cooperation trust funds are credited to the trust funds concerned;

(v) Unliquidated obligations for the current period in respect to all technical cooperation activities remain valid for 12 months following the end of the calendar year, rather than the biennium, to which they relate. In accordance with UNDP reporting requirements, however, executing agencies may retain unliquidated obligations beyond 12 months when a firm liability to pay still exists. Savings from liquidation or cancellation of prior period obligations are credited to individual projects as a reduction of the current period expenditure in accordance with UNDP reporting requirements;

(vi) Distribution of interest income for trust funds is calculated at year end using the percentage participation of each fund based on the monthly average fund balance.

(u) UN-Habitat is a member organization participating in the United Nations Joint Staff Pension Fund, which was established by the General Assembly to provide retirement, death, disability and related benefits. The Pension Fund is a funded, multiemployer defined-benefit plan.

(v) An actuarial valuation of the Pension Fund's assets and pension benefits is prepared every two years. As there is no consistent and reliable basis for allocating the related liabilities/assets and costs to individual participating organizations, UN-Habitat is not in a position to identify its share of the underlying financial position and performance of the Pension Fund with sufficient reliability for accounting purposes and hence has treated this plan as if it were a defined contribution plan. Thus, the share of the related net liability/asset position of the Pension Fund pertaining to UN-Habitat is not reflected in the financial statements. The Organization's contribution to the Pension Fund consists of its mandated contribution at the rate established by the General Assembly, currently 7.9 per cent for the participant and 15.8 per cent for the Organization, respectively, of the applicable pensionable remuneration, together with its share of any actuarial deficiency payments under article 26 of the Regulations of the Pension Fund. Such deficiency payments are payable only if and when the General Assembly has invoked the provision of article 26, following determination that there is a requirement for deficiency payments based on an assessment of the actuarial sufficiency of the Pension Fund as at the valuation date. As at the reporting date for the current financial statements, the General Assembly had not invoked this provision.

Note 3
Miscellaneous income

(Thousands of United States dollars)

	Foundation activities	*Technical cooperation activities*	*All funds eliminations*	*Total 2011*	*Total 2009*
Gain on currency exchange transactions	92	23	–	115	458
Unspecified contributions	33	–	–	33	–
Carbon emissions offsets	175	–	(175)	–	–
Other sundry income	19	–	–	19	–
Total	**319**	**23**	**(175)**	**167**	**458**

Note 4
Prior-period adjustments

(Thousands of United States dollars)

	Foundation activities	*Technical cooperation activities*	*Total 2011*	*Total 2009*
Adjustments to prior-period expenditure	32	(84)	(52)	(938)
Adjustments to prior-period pledges	10	(810)	(800)	–
Adjustments to prior-period programme support	–	–	–	654
Write-offs	(35)	(1)	(36)	(2)
Total	**7**	**(895)**	**(888)**	**(286)**

Note 5
Refunds to member States and other donors

(Thousands of United States dollars)

	Foundation activities	*Technical cooperation activities*	*Total 2011*	*Total 2009*
Government of Iraq	–	(140)	(140)	–
Australian Red Cross	–	–	–	(102)
Government of Netherlands	–	(21)	(21)	(33)
International Bank for Reconstruction and Development	(50)	–	(50)	–
Ministerie van Buitenlandse Zaken	–	–	–	(118)
UNDP headquarters	–	(56)	(56)	–
Swedish International Development Cooperation Agency	(270)	–	(270)	–
United Nations Development Group, Iraq trust fund, Bureau for Resources and Strategic Partnerships/UNDP	–	(1 015)	(1 015)	(80)
Office of the United Nations High Commission for Refugees	–	(278)	(278)	–
United Nations Economic Commission for Africa	(19)	–	(19)	–
United Nations General Trust Fund	(40)	–	(40)	(46)
Government of Belgium care of Permanent Mission of Belgium to the United Nations	(11)	–	(11)	–
Swedish National Police Board	(21)	–	(21)	–
Department for International Development, United Kingdom	–	(161)	(161)	–
UNDP Resident Representative, Maldives	–	(63)	(63)	–
International Strategy for Disaster Reduction	–	(2)	(2)	–
United Nations Educational, Scientific and Cultural Organization, Islamabad	–	(20)	(20)	–
Total	**(411)**	**(1 756)**	**(2 167)**	**(379)**

Note 6
Convertible and non-convertible cash and term deposits and cash pools as at 31 December 2011

(Thousands of United States dollars)

	Reference	*Cash pools*[a]	*Cash and term deposits*
Foundation activities			
United States dollar-denominated		89 027	2 700
Euro-denominated		14 919	–
Indian rupee-denominated[b]		–	101
Total	**Statement V**	**103 946**	**2 801**
Represented by:			
Cash and term deposits, United States dollar-denominated		10 118	2 700
Cash and term deposits, euro-denominated[c]		7 155	–
Cash and term deposits, Indian rupee-denominated		–	101
Short-term investments at lower of cost or market value[d]		27 183	–
Long-term investments		59 174	–
Accrued interest receivable		316	–
Total		**103 946**	**2 801**
Technical cooperation activities			
United States dollar-denominated	Statement VII	114 603	6 908
Represented by:			
Cash and term deposits		13 025	6 908
Short-term investments at lower of cost or market value[d]		32 732	–
Long-term investments		68 566	–
Accrued interest receivable		280	–
Total		**114 603**	**6 908**
Total Foundation and technical cooperation activities	**Statement II**	**218 549**	**9 709**

[a] Investments are placed in the Headquarters joint investment pools. The Treasury of the United Nations Secretariat is solely responsible for the investment policy, and participating offices are only responsible for their own cash flow and liquidity planning. The Treasury invests in different securities, with varying due dates and interest rates. Therefore, it is not practical to indicate due dates and interest rates relating to the investment pools. See note 22 for more information.

[b] The exchange rate used to determine the United States dollar equivalent was 52.8 Indian rupees to the dollar. At 31 December 2011, the Indian rupee amount was 5,311,994.

[c] The euro cash pool comprises cash and term deposits of €5,538,176 and accrued interest receivable of €76,008. The United Nations operational exchange rate as at 31 December 2011 was 0.774 euros to the dollar.

[d] When the market value of the short-term investments is lower than cost, the book value is adjusted accordingly. Long-term investments are reported at book value. No change was made during this period.

Note 7
Inter-fund balances

(Thousands of United States dollars)

	Foundation activities	*Technical cooperation activities*	*End-of-service and post-retirement benefits*	*Total 2011*	*Total 2009*
Inter-fund balances receivable	5 879	8 743	3 779	18 401	27 586
Inter-fund balances payable	(13 829)	(6 063)	–	(19 892)	(28 165)
Net inter-fund receivable/(payable)	**(7 950)**	**2 680**	**3 779**	**(1 491)**	**(579)**
Net inter-fund payable to the United Nations Office at Nairobi				(1 491)	(579)
Net inter-fund payable				**(1 491)**	**(579)**

The inter-fund accounts reflect transactions between the Foundation and technical cooperation activities, the United Nations General Fund and other funds that are settled periodically.

Note 8
Accounts receivable

(Thousands of United States dollars)

	Foundation activities	*Technical cooperation activities*	*Regular budget*	*Total 2011*	*Total 2009*
Staff members	485	290	–	775	1 061
United Nations agencies/entities	3 570	1 791	514	5 875	4 660
Vendors	31	11	–	42	83
Governments	194	13	–	207	–
Others	66	50	–	116	275
Total	**4 346**	**2 155**	**514**	**7 015**	**6 079**
Ageing of accounts:					
Less than six months	4 203	1 856	514	6 573	5 138
Six months to one year	38	21	–	59	458
More than one year	33	80	–	113	162
More than two years	72	198	–	270	321
Total	**4 346**	**2 155**	**514**	**7 015**	**6 079**

Note 9
Balances relating to projects funded by donors

The amount of $4.4 million shown in statement II as "Balances relating to projects funded by donors" represents the amount receivable from UNDP in accordance with existing arrangements, of which $0.7 million is related to unliquidated obligations.

Note 10
Other assets and liabilities

(Thousands of United States dollars)

	Foundation activities	*Technical cooperation activities*	*Total 2011*	*Total 2009*
Other assets				
Deferred charges — commitments against future years	794	516	1 310	–
Deferred charges — education grant advances	200	128	328	296
Other	–	17	17	190
Total	**994**	**661**	**1 655**	**486**
Other liabilities				
Receivables related to future-year obligations	1 203	421	1 624	–
Commitments against future years	794	516	1 310	–
Total	**1 997**	**937**	**2 934**	**–**

Note 11
Unliquidated obligations

(Thousands of United States dollars)

	Foundation activities	*Technical cooperation activities*	*Regular budget*	*Total 2011*	*Total 2009*
Prior periods	7 560	1 598	–	9 158	6 037
Current period	19 461	55 709	514	75 684	69 528
Total	**27 021**	**57 307**	**514**	**84 842**	**75 565**

Note 12
Accounts payable

(Thousands of United States dollars)

	Foundation activities	*Technical cooperation activities*	*Total 2011*	*Total 2009*
Staff members	372	196	568	509
United Nations agencies/entities	1 364	1 248	2 612	2 812
Vendors	86	26	112	532
Governments	312	–	312	147
Others	272	43	315	166
Total	**2 406**	**1 513**	**3 919**	**4 166**

Note 13
End-of-service and post-retirement benefits

(Thousands of United States dollars)

	Total 2011	*Total 2009*
After-service health insurance	17 439	8 177
Annual leave	1 868	1 968
Repatriation benefits	3 985	2 704
Total	**23 292**	**12 849**
Less: provision already made	(3 779)	(2 706)
Net liability not funded	**19 513**	**10 143**

(a) End-of-service and post-retirement benefits comprise after-service health insurance coverage, annual leave and repatriation benefits. As disclosed in note 2 (n) (vi), all three liabilities are determined on the basis of an actuarial valuation. A valuation was carried out as at 31 December 2011.

(b) After-service health insurance:

(i) Upon separation from service, staff members and their dependants may elect to participate in a defined-benefit health insurance plan of the United Nations, provided they have met certain eligibility requirements, including 10 years of participation in a United Nations health plan for those who were recruited after 1 July 2007, and five years for those who were recruited prior to that date. This benefit is referred to as after-service health insurance;

(ii) The major assumptions used by the actuary to determine the liabilities for after-service health insurance as at 31 December 2012 were a discount rate of 4.5 per cent; a current- and future-year rate of inflation of 2.5 per cent; health-care escalation rates of 8.0 per cent in 2012, grading down to 4.5 per cent in 2027 and later years, for United States non-Medicare and non-United States medical plans, 7.0 per cent in 2012, grading to 4.5 per cent in 2027 and later

years, for United States Medicare plans, and 5.0 per cent in 2012, grading down to 4.5 per cent in 2027 and later years, for United States dental plans; and retirement, withdrawal and mortality assumptions consistent with those used by the United Nations Joint Staff Pension Fund in making its own actuarial valuation;

(iii) Contributions from retirees and a portion of the contributions from active staff are deducted from the gross liability in order to arrive at the Organization's residual liability in accordance with cost-sharing ratios authorized by the General Assembly. These ratios require that the Organization's share not exceed one half for non-United States health plans, two thirds for United States health plans and three quarters for the medical insurance plan. This refinement in determination of plan participants' contributions is reflective of the fact that both active and retired staff participate in the same health insurance plans and that their collective contributions serve to meet the approved cost-sharing ratios;

(iv) On the basis of the assumptions outlined in (ii) and (iii) above, the present value of the accrued liability as at 31 December 2011 was estimated at $17,439,000;

(v) Further to the assumptions in (b) (ii) above, it is estimated that the present value of the liability would increase by 26.2 per cent or decrease by 19.8 per cent if medical trend costs increased or decreased by 1.0 per cent respectively, with all other assumptions held constant. Similarly, it is estimated that the accrued liability would decrease by 20.2 per cent and increase by 27.4 per cent if the discount rate were increased or decreased by 1.0 per cent respectively.

(c) Annual leave:

(i) Upon separation from service, staff members may commute unused leave days up to a maximum of 60 working days for those holding fixed-term or continuing appointments. This benefit is referred to as annual leave benefit;

(ii) The major assumptions used by the actuary were a discount rate of 4.5 per cent; annual salary increases ranging from 9.1 per cent to 4.0 per cent depending on the age and category of staff members; and an annual rate of increase in accumulated annual leave balances of 12.5 days for 1 to 3 years of service, 3.0 days for 4 to 6 years of service and 0.1 days for 7 or more years of service;

(iii) On the basis of these assumptions, the present value of the accrued liability for annual leave as at 31 December 2011 was estimated at $1,868,000.

(d) Repatriation benefits:

(i) Upon separation from service, staff members who meet certain eligibility requirements, including residency outside their country of nationality at the time of separation, are entitled to a repatriation grant which is based upon length of service, and travel and removal expenses. These benefits are collectively referred to as repatriation benefits;

(ii) The major assumptions used by the actuary were a discount rate of 4.5 per cent; annual salary increases ranging from 9.1 per cent to 4.0 per cent

based on age and category of staff members, and travel cost increases of 2.5 per cent per annum;

(iii) On the basis of these assumptions, the present value of the accrued liability for repatriation benefits as at 31 December 2011 was estimated at $3,985,000.

Note 14
Reserves and fund balances

(Thousands of United States dollars)

	Foundation activities	*Technical cooperation activities*	*End-of-service and post-retirement benefits*	*Total 2011*	*Total 2009*
Financial reserve	6 619	–	–	6 619	6 944
Loan fund reserve	550	–	–	550	–
Operating reserve	4 726	13 320	–	18 046	10 568
Other reserves[a]	–	–	–	–	2
Total reserves	**11 895**	**13 320**	**–**	**25 215**	**17 514**
Loan fund balance	2 642	–	–	2 642	3 000
Earmarked fund balance	37 161	48 517	–	85 678	81 546
Cumulative surplus/(deficit)	23 446	9 783	(19 513)	13 716	31 567
Total fund balances	**63 249**	**58 300**	**(19 513)**	**102 036**	**116 113**
Total reserves and fund balances	**75 144**	**71 620**	**(19 513)**	**127 251**	**133 627**

[a] Other reserves represents excess collected repatriation benefit funds over the liability as per the actuarial valuation.

Note 15
Non-expendable property

(Thousands of United States dollars)

In accordance with United Nations accounting policies, non-expendable property is not included in the fixed assets of the Organization but is charged against current appropriations when acquired.

	2011	*2009*
Headquarters		
Computer equipment	1 594	979
Office equipment	12	11
Radio and telecommunication equipment	55	23
Audiovisual/photographic equipment	97	49
Transportation equipment	201	189
Furniture	568	610
Document and reproduction equipment	13	156
Medical equipment	17	–
Total Headquarters	**2 557**	**2 017**
Offices away from Headquarters		
Regional and outposted offices	571	566
Projects	11 471	7 012
Total offices away from Headquarters	**12 042**	**7 578**
Total	**14 599**	**9 595**
Summary		
Opening balance	9 595	10 401
Acquisitions	3 248	1 986
Disposals		
Write-offs	(30)	(31)
Sales	(13)	–
Donations	(83)	(1 102)
Transfers to other offices/missions	(2)	(52)
Other	–	(8)
Prior-period adjustments[a]	1 884	(1 599)
Closing balance	**14 599**	**9 595**

[a] Inventory in the database adjusted to physical count as at 31 December 2011.

Note 16
Status of regular budget fund allocations (exclusive of staff assessments) as at 31 December 2011

(Thousands of United States dollars)

	Allocation	*Unliquidated obligations*	*Disbursements*	*Expenditure*	
				Total 2011	*Total 2010*
United Nations General Fund					
Staff and other personnel costs	21 124	30	21 357	21 387	20 793
Operating expenses	2 210	101	1 998	2 099	2 106
Subtotal	**23 334**	**131**	**23 355**	**23 486**	**22 899**
Special Account for Supplementary Development Activities					
Staff and other personnel costs	94		22	22	70
Contractual services	757	193	358	551	633
Travel	145	15	91	106	117
Operating expenses	60	3	19	22	22
Fellowships, grants and contributions	948	172	318	490	258
Subtotal	**2 004**	**383**	**808**	**1 191**	**1 100**
Total	**25 338**	**514**	**24 163**	**24 677**	**23 999**

Note 17
Experimental Reimbursable Seeding Operations Trust Fund

(a) An amount of $2,750,000 has been allocated for reimbursable seeding operations under the Loan Fund account.

(b) A Loan Fund reserve has been established at the level of 20 per cent of disbursed reimbursable seeding operations under the Loan Fund account to provide and maintain security to those borrowings incurred by the Foundation and to maintain a sound cash flow situation in the Foundation Loan Fund.

(c) Interest income from loan operations is recognized as income in the year when earned.

(d) As at 31 December 2011, five loans had been disbursed. The amounts of the loans receivable, grouped according to length of maturity, are as follows:

(Thousands of United States dollars)

5 years or less	796
6 to 10 years	340
More than 10 years	1 108
Total loans receivable	**2 244**
Accrued interest	7
Total loans and interest receivable	**2 251**

(c) These loans bear interest at a weighted average rate of 4.2 per cent.

Note 18
Change in accounting policies

Regular budget funding

(a) Funding of UN-Habitat from the regular budget, previously reported as a note to the financial statements, is now reported within the financial statements. The assets and liabilities related to regular budget funding are wholly owned by the Secretariat of the United Nations and are reported in volume I of its financial statements. However, those specific to the expenditure that has been recorded by UN-Habitat have been reflected in statement II above. Management judges that this policy provides a more complete presentation of the financial results of UN-Habitat. The comparatives for the biennium ended 31 December 2009 have been restated in statements I and II as shown below.

Statement I
All funds summary: income and expenditure and changes in reserves and fund balances

(Thousands of United States dollars)

	As originally reported	*Inclusion of regular budget*	*Restated*
Regular budget allocations		23 999	23 999
Total income	311 605	23 999	335 604
Total expenditure	296 357	23 999	320 356

Treatment of advances to implementing agencies

(b) Advance from UN-Habitat to implementing agencies, previously recorded directly against the unliquidated obligation, are now recorded as receivables and the obligation is reduced upon receipt of the expenditure report from the implementing agency.

Treatment of local imprest bank accounts

(c) The bank balances of UN-Habitat on local imprest accounts for its offices away from Headquarters, previously recorded as receivable accounts, are

now recorded in the ledgers as bank balances. Management believes that this properly classifies the cash related to imprest accounts, resulting in a better presentation in the financial statements.

(d) The changes in paragraphs (b) and (c) above affect the statement of assets, liabilities, reserves and fund balances for both the Foundation activities (statement V) and the technical cooperation activities (statement VII) as well as the all funds summary (statement II). Comparatives for the biennium ended 31 December 2009 for these statements have been restated as shown below.

All funds summary: assets, liabilities, reserves and fund balances

(Thousands of United States dollars)

	As originally reported	*Reclassification of bank balances (offices away from Headquarters)*	*Advances to implementing agencies*	*Regular budget*	*Restated*
Cash and term deposits	1 888	1 150	–	–	3 038
Accounts receivable	2 883	(1 150)	3 395	951	6 079
Unliquidated obligations	71 219	–	3 395	951	75 565

Foundation activities: assets, liabilities, reserves and fund balances

(Thousands of United States dollars)

	As originally reported	*Reclassification of bank balances (offices away from Headquarters)*	*Advances to implementing agencies*	*Restated*
Cash and term deposits	928	92	–	1 020
Accounts receivable	1 308	(92)	2 687	3 903
Unliquidated obligations	44 038	–	2 687	46 725

Technical cooperation activities: assets, liabilities, reserves and fund balances

(Thousands of United States dollars)

	As originally reported	*Reclassification of bank balances (offices away from Headquarters)*	*Advances to implementing agencies*	*Restated*
Cash and term deposits	960	1 058	–	2 018
Accounts receivable	1 575	(1 058)	708	1 225
Unliquidated obligations	27 181	–	708	27 889

(e) The all funds summary statement of cash flows (statement III) for the biennium ended 31 December 2009 has been restated accordingly.

Note 19
Contingent liabilities

As at 31 December 2011, UN-Habitat had no reportable contingent liabilities.

Note 20
Treatment of future years' commitments

(a) During the period ended 31 December 2011, UN-Habitat implemented the recording of commitments against future years as liabilities in its books. In the past these were recorded as current liabilities.

(b) This change is in line with new instructions on this subject given by United Nations Headquarters. Management believes that this properly discloses in its financial statements the commitments UN-Habitat makes to its partners through various agreement instruments. The amount involved is being shown as commitments against future years in note 10 and reflected in the balance sheet under other liabilities, with an offset being shown under other assets.

(c) Given the impracticality of obtaining comparative figures, the financial statements for previous periods have not been restated.

Note 21
Contributions in kind

During the biennium ended 31 December 2011, UN-Habitat received voluntary contributions in kind of various goods and services from Governments and other organizations. The estimated fair value of such contributions in kind was $4,663,956.

Note 22
Cash pools

(a) Background:

(i) The United Nations Treasury centrally invests surplus funds on behalf of the United Nations Secretariat, including UN-Habitat. Such surplus funds are combined in one of three internally managed cash pools, which invest in major segments of the money and fixed-income markets. Pooling the funds has a positive effect on overall investment performance and risk because of economies of scale can be realized and yield curve exposures can be spread across a range of maturities;

(ii) The investment activities of all the cash pools are guided by the principles contained in the investment management guidelines. An investment committee periodically assesses compliance with the guidelines, makes recommendations for their updating and reviews the performance of the various cash pools.

(b) Investment management objectives:

According to the guidelines, the investment objectives of all the cash pools, in order of priority, are the following:

(i) Safety: ensure the preservation of capital;

(ii) Liquidity: ensure sufficient liquidity to enable the United Nations and participating entities to readily meet all operating requirements. Only assets which have a readily available market value and can be easily converted to cash are held;

(iii) Return on investment: attain a competitive market rate of return taking into account investment risk constraints and the cash flow characteristics of the pool. Benchmarks determine whether satisfactory market returns are being achieved in the cash pool.

(c) Cash pools:

(i) UN-Habitat participates in the following cash pools:

a. The offices away from Headquarters pool, which has investments only in United States dollars, and is for use by funds whose main books of accounts are maintained in one of the offices away from Headquarters;

b. The euro pool, which has investments only in euros and is for use by funds in offices away from Headquarters who may have a surplus of euros from their operations;

(ii) The cash pools invest in a variety of securities. Such securities may include, but are not restricted to, bank deposits, commercial paper, supranational securities, government agency securities and government securities with maturities of five years or less. The cash pools do not invest in derivative instruments or asset-backed, mortgage-backed or equity products;

(iii) Investment transactions are accounted for on a settlement date basis. Investment income is recognized on the accrual basis; transaction costs that are directly attributable to the investment activity of the cash pools are expensed as incurred in the cash pools and the net income is distributed proportionately to the funds participating in the cash pools;

(iv) Gains and losses on the sale of investments are calculated as the difference between the sales proceeds and book value and are reflected in the net income distributed to the cash pool participants.

(d) Financial information pertaining to the offices away from Headquarters and euro cash pools:

(i) As at 31 December 2011, the two pools held total assets of $1,956.0 million. Of this amount, $218.5 million was due to UN-Habitat, as reflected against the cash pool line in statement II above;

(ii) Financial information of the cash pools as at 31 December 2011 is summarized in table V.1:

Table V.1

Summary of assets and liabilities of the cash pools as at 31 December 2011

(Thousands of United States dollars)

	Offices away from Headquarters pool	*Euro pool*	*Total*
Assets			
Short-term investments[a]	627 484	122 754	750 238
Long-term investments[b]	940 267	152 256	1 092 523
Total investments	1 567 751	275 010	1 842 761
Cash	2	106 815	106 817
Accrued investment income	3 842	2 530	6 372
Total assets	**1 571 595**	**384 355**	**1 955 950**
Liabilities			
Payable to UN-Habitat	203 630	14 919	218 549
Payable to other funds participating in the cash pools	1 367 965	369 436	1 737 401
Total liabilities	**1 571 595**	**384 355**	**1 955 950**
Net assets	–	–	–

Summary of net income of the cash pools for the biennium ended 31 December 2011

(Thousands of United States dollars)

	Offices away from Headquarters pool	*Euro pool*[c]	*Total*
Net income			
Interest income	40 714	4 355	45 069
Realized gains on sales of securities	10 080	478	10 558
Securities lending income[d]	559	–	559
Net income from operations	**51 353**	**4 833**	**56 186**

[a] Lower of book value or fair value.

[b] Book value.

[c] Excludes gains or losses arising on revaluation of the underlying euro currency-based investments.

[d] Securities lending refers to the short-term loan of securities owned by the United Nations to other parties, and for which a fee is paid to the United Nations. The terms of the loan are governed by an agreement, which requires the borrower to provide the United Nations with collateral of a value greater than the loaned security.

(e) Composition of the offices away from Headquarters and euro cash pools:

Table V.2 shows the value of investments held in the two cash pools, by type of instrument:

Table V.2
Investments of the cash pools as at 31 December 2011
(Thousands of United States dollars)

Offices away from Headquarters pool	*Book value*	*Fair value*[a]
Bonds		
Government agencies	989 127	990 001
Non-United States sovereigns and supranationals	325 031	326 577
Subtotal	**1 314 158**	**1 316 578**
Discounted instruments[b]	74 978	74 981
Term deposits	178 615	178 615
Total investments	**1 567 751**	**1 570 174**

Euro pool	*Book value*	*Fair value*[a]
Bonds		
Government agencies	93 819	93 764
Non-United States sovereigns and supranationals	103 672	104 055
Subtotal	**197 491**	**197 819**
Term deposits	77 519	77 519
Total investments	**275 010**	**275 338**

Total of cash pools	*Book value*	*Fair value*[a]
Bonds		
Government agencies	1 082 946	1 083 765
Non-United States sovereigns and supranationals	428 703	430 632
Subtotal	**1 511 649**	**1 514 397**
Discounted instruments[b]	74 978	74 981
Term deposits	256 134	256 134
Total investments	**1 842 761**	**1 845 512**

[a] Fair value is determined by the independent custodian based on valuations of securities that are sourced from third parties.
[b] Includes United States Treasury bills and discount notes.

(f) Financial risk management:

The offices away from Headquarters and euro cash pools are exposed to a variety of financial risks including credit risk, liquidity risk, currency risk and market risk (which includes interest-rate risk and other price risks), as described below:

(i) Credit risk:

The guidelines require that investments not be made in issuers whose credit ratings are below specifications, and also provide for maximum concentrations with given issuers. These requirements were met at the time the investments were made. The credit ratings used are those determined by the major credit-rating agencies: Standard and Poor's and Moody's are used to rate bonds and commercial paper, and the Fitch Individual Rating is used to rate term deposits. The credit ratings of the issuers whose securities were held in the cash pools are shown in table V.3.

Table V.3
Investments of the cash pools by credit ratings as at 31 December 2011
(Thousands of United States dollars)

Euro pool	*Total*[a]	*Ratings*
Bonds	197 491	Standard and Poor's: AAA; Moody's: Aaa.
Term deposits	77 519	Fitch: B.
Total investments	**275 010**	

[a] Represents the book value of securities as at 31 December 2011.

(ii) Liquidity risk:

The cash pools are exposed to liquidity risk associated with the requirement of participants to make withdrawals on short notice. They maintain sufficient cash and marketable securities to meet commitments as and when they fall due. The major portion of the pools' cash and cash equivalents and investments are available within one day's notice to support operational requirements. Hence, the pools are able to respond to withdrawal needs in a timely manner, and liquidity risk is considered to be low.

(iii) Currency risk:

Currency risk is the risk that the United States dollar value of investments denominated in other currencies will fluctuate owing to changes in foreign exchange rates. The offices away from Headquarters pool has no currency risk as all its investments are in United States dollars. The euro pool is exposed to currency risk through holding of securities in euros. Accordingly, funds participating in the euro pool are exposed to currency risk to the extent that their share of investments exceeds their operational requirements for euros.

(iv) Interest-rate risk:

Interest-rate risk is the risk of variability in investments' values owing to changes in interest rates. In general, as interest rates rise, the price of a fixed rate security falls, and vice versa. Interest-rate risk is commonly measured by the fixed-rate security's duration, with duration being a number expressed in years. The larger the duration, the greater the interest-rate risk;

The cash pools are exposed to interest-rate risk as their holdings comprise interest-bearing securities. As at 31 December 2011, the pools invested primarily in securities with shorter terms to maturity, with the maximum term being less than four years. The average durations of the offices away from Headquarters and euro cash pools were 0.89 years and 0.93 years respectively, which are considered to be indicators of low interest-rate risk;

Table V.4 shows how the fair value of the cash pools as at 31 December 2011 would increase or decrease should the overall yield curve shift in response to changes in interest rates. The impact of a shift up or down of up to 200 basis points in the yield curve is shown (100 basis points equals 1 per cent). However, in view of the current interest rate environment, the basis point shifts should be considered to be illustrative.

Table V.4
Sensitivity of the cash pools to interest rates as of 31 December 2011

	Change in fair value (millions of US dollars)		
Shift in yield curve (basis points)	*Offices away from Headquarters pool*	*Euro pool*	*Total*
-200	28	5	33
-150	21	4	25
-100	14	3	17
-50	7	1	8
0	0	0	0
50	-7	-1	-8
100	-14	-3	-17
150	-21	-4	-25
200	-28	-5	-33

(v) Other price risks:

The cash pools are not exposed to significant other price risks as they do not sell short, borrow securities or purchase securities on margin, all of which limits the potential loss of capital.

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